Earth Corporation

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Earth Corporation Integrated Report 2024

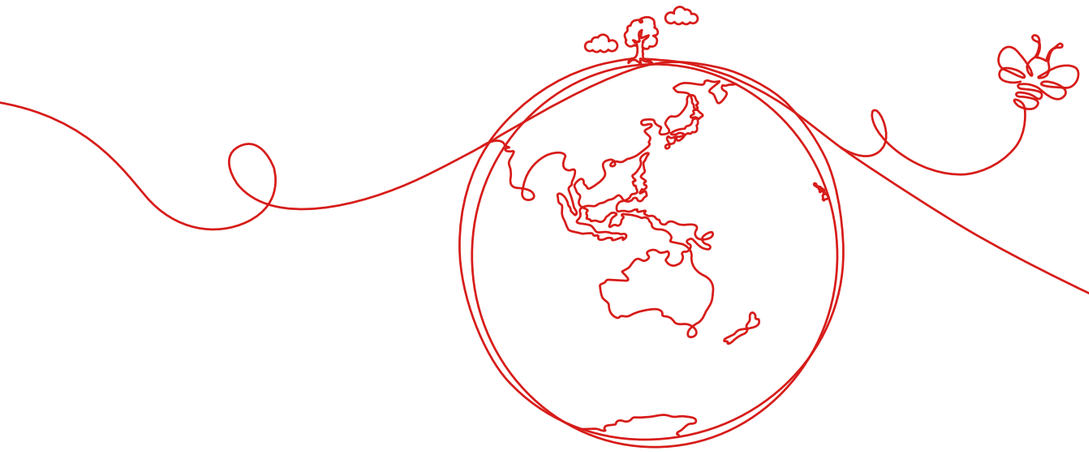
Earth Corporation

Integrated Report 2024

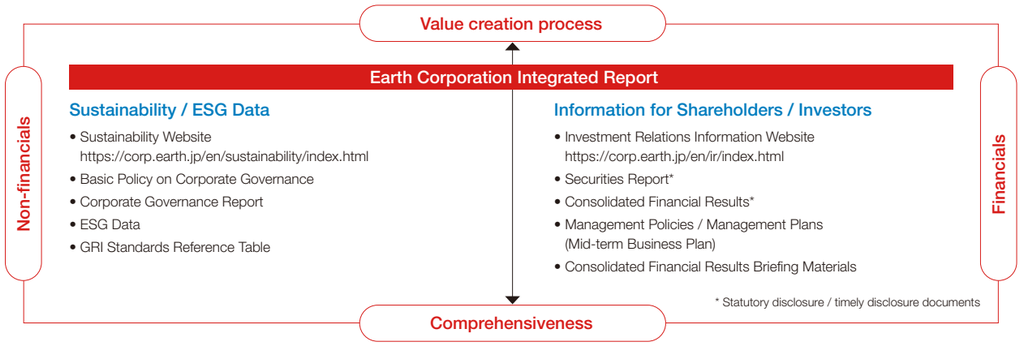
Earth Group Corporate Philosophy

We act to live in harmony with the Earth

Our Company name, “Earth,” embodies our predecessors’ desire to offer useful products to people around the world.
For more than a century since the Company was founded in 1892, we have taken on the challenge of realizing healthy and comfortable lifestyles for everyone, and we have achieved steady growth along with society by continually providing high-quality products.
We will continue to be a part of the lives of people around the world, and to contribute to richer and more comfortable living.



Information Disclosure Framework



Period Covered

FY2023 (January 1, 2023 – December 31, 2023)
* Includes certain activities after the period covered.

Organizations Covered

Earth Corporation and domestic / overseas Group companies
* However, certain items are reported for Earth Corporation on a non-consolidated basis.

Reference guidelines

- International Financial Reporting Standards (IFRS) Foundation International Integrated Reporting Framework
- Ministry of Economy, Trade and Industry, Value Co-Creation Guidance

Environment Social Governance
Guidance for Collaborative Value Creation

Regarding Forward-looking Statements

Forward-looking statements and earnings forecasts described in this report are the Company’s assumptions based on information currently available and are subject to potential risks and uncertainties. Therefore, please be aware that changes in various factors may cause actual results to differ materially from those discussed in the forward-looking statements.

* The figures listed are rounded down to the nearest digit. As a result, totals may not equal the sum of individual figures.
* All product names mentioned in this report are registered trademarks of the Company or its affiliates.
* Comments and other information contained in this report have been properly obtained.

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Editorial Policy

Earth Corporation published Integrated Report 2024 in order to provide shareholders, investors, and other stakeholders with a better understanding of the value created by the Group and its efforts to continue creating value. Integrated Report 2024 has been edited with a focus on reporting financial and non-financial information, including the value creation process, operations, Mid-term Business Plan, and materiality initiatives in an integrated manner. We hope that this report will help further deepen dialogue with our stakeholders.

External Evaluations

SOMPO Sustainability Index

Earth Corporation is included in the SOMPO Sustainability Index, a proprietary index created by Sompo Asset Management Co., Ltd.

2024 Sompo Sustainability Index

CDP

Earth Corporation received an A- (A minus) climate change rating in three sectors (climate change, forestry, and water security) in a survey conducted by CDP, an international non-profit organization that evaluates climate change initiatives and transparency.

CDP DISCLOSURE INSIGHT ACTION

“Health & Productivity Management Outstanding Organization 2022–White 500–

Earth Corporation was recognized for the fourth consecutive year as a “Health & Productivity Management Outstanding Organization 2022–White 500–,” jointly selected by Japan’s Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

2024 健康経営優良法人 Health and productivity ホワイト500

Toyo Keizai CSR Ranking

Earth Corporation received a AAA ranking in Workforce and HR Utilization, Environment, Governance, and Corporate Citizenship in the CSR evaluation of the “2023 CSR Company Ranking” by Toyo Keizai Inc. and received high evaluations in all of these items.

CSR TOYOKEIZAI

FTSE Blossom Japan Index status

An ESG investment index is designed to measure the performance of companies that are taking excellent environmental, social and governance (ESG) actions, while incorporating companies that meet various ESG-related criteria.

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index status

Earth Corporation is included in the FTSE Blossom Japan Sector Relative Index, which is used as a benchmark for passive management in ESG investment by the Government Pension Investment Fund (GPIF).

FTSE Blossom Japan Sector Relative Index

At a Glance

Earth Corporation engages in businesses that are closely aligned to everyday life in a bid to ensure safety, security, and comfort. The Company supports people's healthy and comfortable lives through its two household products and general environment and sanitation businesses.

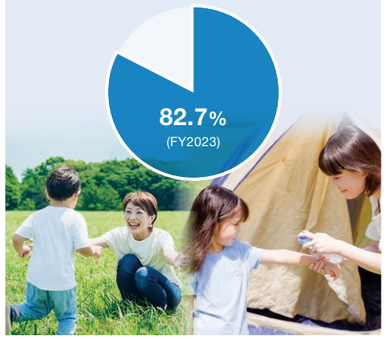
Household Products Business

≫ P.32

Sales

¥139,007million

Ratio of sales



* Sales include internal sales.

Strengths and Focus Fields

Centered on insecticides and repellents—for which it boasts the overwhelming top market share—Earth Corporation offers a wide range of products as a leading supplier of household products, including bath salts, oral hygiene products, insect repellents for clothing, cleaning products, and pet products. In addition to promoting the revitalization of the domestic market through its ability to develop sales floors utilizing the Company's mobility and organizational strength, Earth Corporation is focusing on global development and has expanded exports to approximately 50 countries overseas. Moving forward, we aim to be a company trusted by society by responding to social needs through product development from the customer's perspective.

Major Group Companies

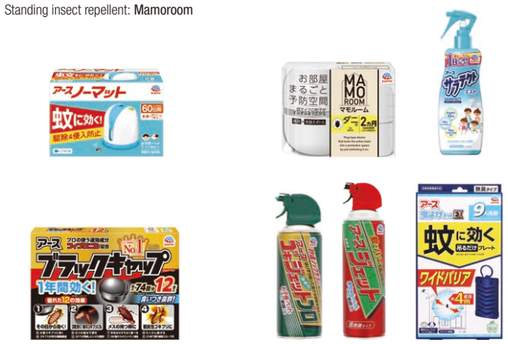
BATHCLIN Corporation, Hakugen Earth Co., Ltd., Earth Pet Co., Ltd.

Main Products

Insecticides and Repellents Segment

Liquid mosquito repellent: **Earth No-mat**
Sprays for flies & mosquitoes: **Earth Jet**
Cockroach poison bait: **Black Caps**
Sprays for cockroaches: **Goki Jet Pro**
Insect repellent spray: **Saratect**
Standing insect repellent: **Mamoroom**

Hanging insect repellent: **Earth Insect Repellent Net EX**
Fruit fly catcher: **Kobae ga Hoi Hoi**
Insecticides / fungicide for home gardening: **Earth Garden Yasaosu**



Household Products Segment

Bath salts: **Bath Clin**
Bath salts: **Kikiyu**
Bath salts: **ONPO**
Mouthwash: **Mondahmin**

Insect repellents for clothing: **Mrs. Lloyd**
Dehumidifier: **Dry & Dry UP NECO**
Masks: **Kaiteki Guard Pro**

Cleaning products: **Bubloon**
Deodorant air fresheners: **Sukki-ri!**
Cooling packs: **ICE-NON**

Pet Products and Others Segment

Pet food: **1st CHOICE**
Pet care products: **JOYPET**

General Environment and Sanitation Business

≫ P.36

Sales

¥29,073million

Ratio of sales

* Sales include internal sales.

Strengths and Focus Fields

From food and pharmaceuticals to advanced medical fields, Earth Corporation supports the quality assurance activities of business operators by providing its unique integrated environmental hygiene management service to protect products from foreign substances and contamination. The backbone of this service is the GMP of Group company Otsuka Group, which features unique technology and know-how cultivated in the field. Saito Research and Training Institute (T-CUBE) is working on the development of AI-driven insect capturing and analysis systems and on industrial applications for sterilization and deodorization using MA-T system®, an oxidation control technology, thereby playing a core role in innovation that contributes to society. Particularly in the field of future / advanced medicine, Earth Corporation is working to create innovation by training specialists in the field of regenerative medicine, developing hygiene management methods, and participating in Nakanoshima Qross (The International Center for Future Medicine).

Major Group Companies

Earth Environmental Service Co., Ltd.

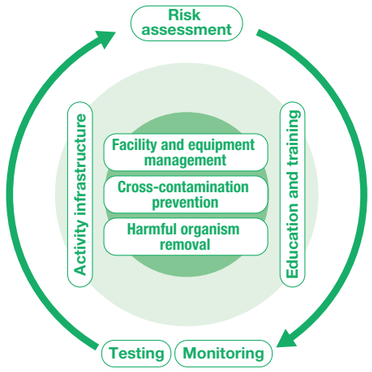
Main Services

- Various environmental monitoring
- Inspection and identification of microorganisms, foreign matter
- Pest control, microbial contamination control
- Sanitation, special cleaning
- Quality assurance system development, support for acquisition of standards certification, conformity audits
- Training services and other human resource development
- Plant design and construction support, hardware installation, building maintenance
- IoT system development
- Product sales

Integrated Environmental Hygiene Management

This business offers integrated and systematic hygiene management support services that consist of eight approaches tailor-made for each client based on our proprietary technologies and expertise. The "Environmental Doctor" diagnoses the sanitary environments of business facilities, highlights problem areas, issues prescriptions for remedial measures, and supports the maintenance and promotion of a safe and secure environment through treatment and prevention.

Eight Approaches



Sales	Operating income	ROE	Annual dividend per share	DOE
¥158,344million	¥6,370million	6.3%	¥118	4.0%
Up 3.9% YoY ↑	Down 14.3% YoY ↓	Down 2.3 pt YoY ↓	± ¥0 YoY →	Down 0.2 pt YoY ↓

Number of countries in which the Group operates / Number of bases

Products bases / plants	13 bases in 4 countries
Local subsidiaries	5 countries
Export destinations	50 countries mainly in Asia, the Middle East, Europe, and the U.S.

Earth Brand Forged with the Voices of Customers

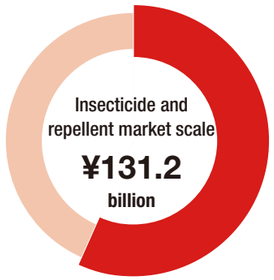
Earth Corporation always values the “customer’s perspective” and works tirelessly to develop new products and improve existing services. Believing that our customers’ support equates to our market share, we will continue to provide products and services that help make everyone’s lives safe and comfortable.

Market Position

Insecticides and repellents

Domestic share ratio

56.9%



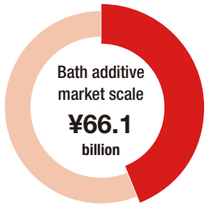
Sources: Intage SRI+ insecticide market (excluding horticultural agents)
National total, all business categories from January to December 2023, cumulative sales amount

Best seller BATHCLIN

Recognized by Guinness World Records as the world’s leading bath additive based on annual sales (2019)

Bath additives

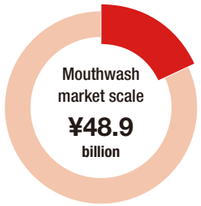
Domestic share ratio **44.1%***



Sources: Intage SRI+ bath additive market
National total, all business categories from January to December 2023, cumulative sales amount
* Earth Group (Earth Corporation, BATHCLIN, Hakugen Earth)

Mouthwash

Domestic share ratio **18.3%**



Sources: Intage SRI+ mouthwash (mouthwash / liquid toothpaste)
National total, all business categories from January to December 2023, cumulative sales amount

Strength Supporting the Earth Brand

Number of researchers

318

Production bases

12 (globally)

Nationwide sales network

Approximately **103,000** locations

* Earth Corporation estimates

Number of inquiries handled by the Customer Service Department

Approximately **90,000** responses

Number of general environment and sanitation business contracts

15,208 companies

Level of employee satisfaction

3.38

* Overall satisfaction with current job, workplace, supervisor, and company based on the Employee Satisfaction Survey (average score out of 5)

Global expansion

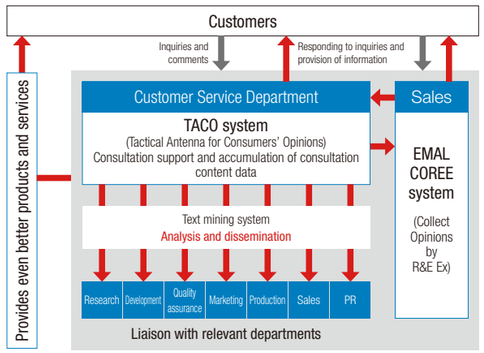
Export sales to approximately **50** countries worldwide

Long seller celebrating 50 years on the market Gokiburi Hoi Hoi

In the 1960s, Earth Corporation was in financial distress and facing bankruptcy, and Gokiburi Hoi Hoi became a driving force for growth. Cockroach infestations inside homes became a problem in daily life as residential conditions changed. Coinciding with this, and after its release in January 1973, orders for Gokiburi Hoi exceeded production capacity, enabling the Company to turn a profit that summer. In the 1990s, there were many similar products on the market, yet we firmly maintained our product strength and competitive advantage by constantly making improvements from the customer’s perspective. Since its launch, Gokiburi Hoi Hoi still accounts for approximately 90% of the domestic cockroach traps market and is sold under the name HOYHOY in 30 countries around the world, boasting overwhelming recognition as a synonym for cockroach traps.

Platforms to Leverage Customer Insights

Earth Corporation has established its own customer response system, the TACO System*, to promptly and courteously respond to consultations and ideas offered from customers. This system accumulates data on consultation details collected from customers and retailers by the COREE System*, through which the Customer Service Department and EMAL* register information. To enable related divisions to utilize customer insight to provide better products and services, the Customer Service Department analyzes and disseminates information using a text mining system.



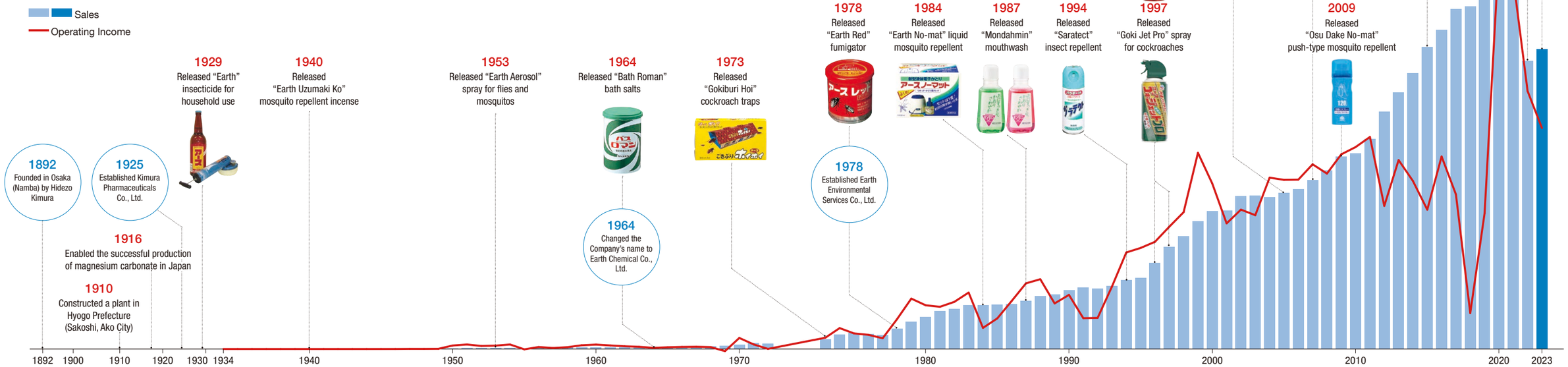
* Please refer to the Glossary on P. 62

A History Aligned Closely to the Earth and Humankind

Based on our corporate philosophy “We act to live in harmony with the Earth,” Earth Corporation has engaged in the development and expansion of its products and services for more than a century.

Since its establishment in 1892, Earth Corporation has worked diligently to develop new products and improve existing services while paying close attention to “customers perspectives.” Both at home and overseas, we have continued to contribute to healthy and comfortable lifestyles and achieved steady growth along with society while taking into consideration the environment.

Trends in Sales and Operating Income



**“Accounting Standard for Revenue Recognition” applied since fiscal 2022.

1890~

Enabled the Successful Production of Magnesium Carbonate in Japan

In 1916, Earth Corporation successfully enabled the domestic production of magnesium carbonate, which enhances the durability of natural rubber. The Company’s predecessor, Kimura Pharmaceuticals Co., Ltd. became a leader in the bittern industry. The Company later released “Earth” in response to the growing need to insecticides. Successful steps were then taken to expand these needs through such sales promotion activities as the free distribution of products. This in turn helped broaden Earth Corporation’s profile nationwide.

1970~

Capital Participation by the Otsuka Group

Earth Corporation fell into a state of financial crisis and, in 1970, in an effort to rebuild its business, the Company sought financial assistance from Otsuka Pharmaceutical Factory, Inc., an existing business partner, and invited the late Masatomi Otsuka to take on the position of president. In 1973, the Company released “Gokiburi Hoi Hoi” which quickly became an explosive hit, eliminating the accrued deficit and bringing the Company back to life.

1980~

Promoting Global Expansion through Exhaustive Market Surveys

Earth Corporation marked the start of efforts to vigorously promote its global strategy with the establishment of ARS Chemical (Thailand) Co., Ltd. (currently Earth (Thailand) Co., Ltd.) in 1980. The Company engages in marketing activities tailored to the characteristics of each country through exhaustive market surveys that encompass such attributes as dissimilar lifestyles and preferences. We currently export to 55 countries around the world.

2000~

From “Insecticides” to “Insecticides and Repellents”

The history of Earth Corporation’s ongoing growth is a record of existing product improvement. Drawing on its research into competing products, the Company worked diligently to develop a succession of effective products, including “Earth Red,” an active ingredient vapor dispersion insecticide, and “Goki Jet Pro,” which boasts strong spraying power. In 2017, we coined the proprietary term Mushi-care (“Insecticides and Repellents” in English). Over the ensuing period, we have looked beyond performance and functionality to also focus on consumer, product safety, and environmental concerns.

Overseas Expansion

- **1980** Established ARS CHEMICAL (THAILAND) CO., LTD. (currently Earth (Thailand) Co., Ltd.)
- **1990** Established Earth Chemical (Tianjin) Co., Ltd.
- **2004** Earth Environmental Service Co., Ltd. established Beijing Earth Environmental Service Co., Ltd.
- **2005** Established Earth Chemical (Suzhou) Co., Ltd.
- **2012** Hakugen Co., Ltd. established Hakugen Daily Consumer Products (Shenzhen) Co., Ltd.
- **2015** Established Earth Chemical (Shanghai) Management Co., Ltd. (currently Earth Corporation (Shanghai))
- **2016** Earth Environmental Service Co., Ltd. established Shanghai Earth Environmental Service Co., Ltd., Earth Environmental Service (Thailand) Co., Ltd., and ARS Environmental Service (Thailand) Co., Ltd.
- **2017** Included A My Gia Joint Stock Company (currently Earth Corporation Vietnam) in the Company’s scope of consolidation as a subsidiary
- **2019** Established EARTH HOME PRODUCTS (MALAYSIA) SDN. BHD.
  Earth Environmental Service Co., Ltd. established Earth Environmental Service (Taiwan) Co., Ltd.
- **2020** Earth Environmental Service Co., Ltd. established Earth Environmental Service Vietnam Co., Ltd.
- **2022** Established EARTH HOMECARE PRODUCTS (PHILIPPINES), INC.

Stakeholder Engagement

Earth Corporation's business activities are supported by various stakeholders, including customers, employees and their families, suppliers, shareholders and investors, and local communities. We believe that it is important to communicate with each of these stakeholders, and to put in place an environment that promotes dialogue in order to create shared value.

Stakeholder		Stakeholder expectations, interests, and needs	Earth Corporation's main responsibilities	Engagement method	Shared value with stakeholders	
					Examples of shared value	Related capital
Customers (Consumers, business partners)	In addition to general consumers (Earth Corporation's product users), business partners, including such sales channels as drugstores and supermarkets as well as e-commerce sites, comprise a major portion of the Group's important customers.	• New product development • Optimal services that address diverse consumer needs • The provision of information on concerns related to daily life sanitation	• Understand customers and their lifestyles, and strive to provide products and services that contribute to their quality and comfortable lifestyle • Place priority on communication with customers, and strive to apply the voice of customers in better management • Comply with laws and in-house rules related to fair trade	• Support through contact points for receiving comments and suggestions from customers • Advertising and PR • Provision of information through web-sites and other media • Communication through sales activities etc.	• Number of customer concerns resolved at contact points • Products to emerge from contact points for receiving comments and suggestions from customers • Stable supply of products • The provision of products that address market needs • Supply Chain Platform	Social capital
Employees and their families	The active participation of diverse human resources is the driving force behind Earth Corporation's growth. We recognize that the families that support our employees are also stakeholders in the Company's long-term creation of value.	• A safe workplace environment • Workstyle reform to realize flexible workstyles • Diversity • Improvements in engagement • Increased motivation • Ensuring emotional security • Work-life balance •Acceptable evaluation and wages •Career development and training	• Based on Earth's corporate value that "Diversity" place value on communication among employees, and develop and grow along with society • Strive for workplaces where employees are motivated and able to participate	• In-house newsletters and intranet • Various training programs • Peer bonus system • Individual target management • Individual meetings etc.	• Increase in the paid leave usage rate • Increase in the female manager ratio • Improvements in the level of employee satisfaction and organizational capabilities • Improvements in sales and operating income margin per employee/unit time • Increase in wages • Provision of training opportunities (reskilling) • Health management and improvements in health literacy	Human and intellectual capital
Suppliers	With many of the Company's products supplied on an OEM basis, OEMs are an important supply source. In addition, Earth Corporation's activities are supported by numerous business partners, including suppliers of raw as well as packaging materials.	• Low cost and high quality • Environmental technologies • Increased productivity • Procurement that takes into consideration human rights and societal concerns • Opportunity and health equality	• Choose suppliers fairly, based on purchasing policies. Promote CSR procurement, so that business partners conduct rigorous CSR activities as well.	• Communication through purchasing activities • CSR self-assessments etc.	• The fulfillment of social responsibilities through collaboration with business partners and stakeholders • Joining Sedex (supplier membership) • Increase in public trust (relationship building)	Social and natural capital
Shareholders and investors	Earth Corporation sees shareholders and investors as important stakeholders that support the Company's management foundation by providing capital and executing voting rights. The Company will work to build long-term relationships of trust through proactive dialogue.	• The provision of appropriate returns to shareholders • The timely payment/repayment of interest and principal (borrowings) • Enhancement of corporate value (market capitalization) • Generation of new business earnings • Increase in the profitability of existing businesses	• By disclosing appropriate information at the appropriate time, fulfill responsibilities for accountability, promote understanding of Earth Corporation's management philosophy, vision, and plans, and ensure that our corporate value is properly recognized.	• General meetings of shareholders • Financial results briefings for institutional investors and analysts • Individual meetings • Provision of information through web-sites and other media • Facility tours etc.	• Dividends • Total return ratio • TSR (10 years) • Interest • Repayment of principal	Finance
Local community	Earth Corporation strives to contribute to local communities and to resolve social issues facing municipalities in each of its business domains. We also engage in social contribution activities in an effort to raise the profile and value of the Company and its products through both training and educational initiatives.	• Reduction of environmental impact • The formation of a resource-circulating society	• Contribute to society, for example by striving to coexist with international society, improving health and hygiene, and supporting culture and sports.	• Community clean-up activities • On-site lessons • Various events • Comprehensive collaboration agreements with each municipality • Visiting classes • Field marketing and horticultural activities; global festivals etc.	• Activities that help mitigate global-scale infectious and other diseases • Participation in efforts, including disaster support as well as donations to developing countries and the impoverished • Efforts to help prevent the spread of insect-borne infections through the provision of products and educational activities • Contributions to the community through the development of products that help pre-vent disasters • Acceptance of interns and visitors, provision of social learning opportunities for students	Social capital
The Earth	Changes in ecosystems and habitats threaten efforts to conserve biodiversity. In this regard, the Earth, which provides the necessary habitat for insects to survive, is one of Earth Corporation's important stakeholders.	• Reduction of environmental impact • Biodiversity conservation • The formation of a resource-circulating society	• Contribute to protecting the global environment by providing environment friendly products and services. • In addition, based on a correct understanding of nature, Earth Corporation will realize its coexistence with the Earth.	• Decarbonization • Eliminating plastics • Protecting biodiversity etc.	• Product development based in the Earth ECO Standards • The achievement of carbon neutrality in society • The switch to renewable energy • Enhancement of water usage efficiency • Use of Forest Stewardship Council® certified paper • Reduction in the emission of industrial waste to zero • Response toward and activities aimed at various consortiums and evaluation institutions • Control of invasive species, forest conservation, and the preservation of species (various biodiversity conservation activities aimed at protecting insects)	Natural capital

Message from the President

Representative Director, President & CEO
Earth Corporation

Katsunori Kanabata

We will flexibly address those customer concerns that arise from dramatic changes in society with the aim of becoming a global provider of solutions to problems, and in a way that enables safe and comfortable lives for people throughout the world.

Addressing Dramatic Changes Helps Trigger Growth Opportunities

Including the dramatic progression of climate change, the world has experienced a range of short-term and long-term developments in recent years. While the issue of global warming has progressed somewhat moderately, I believe that it has accelerated in a way that has significantly changed our ecosystem over the past few years when compared with the adoption of the Kyoto Protocol, the world's first Framework Convention on Climate Change to focus on warming as an issue, in 1997. The spread of COVID-19 starting in 2020 also greatly altered our lifestyles and behavioral patterns. In today's world where major changes occur every few years, society has come to demand that companies address these developments in various respects, which we interpret as the perfect opportunity for growth.

Among these, changes in living conditions are the most closely aligned to Earth Corporation's business. Taking the example of multiple dwelling houses in Japan, apartment blocks evolved from wooden row houses prior to the mid-19th century into concrete apartment complexes during the 1950s and 1960s, ultimately emerging in many cases as nearly air-tight, high-performance condominiums today. And because floor heating and air conditioners now keep homes at around 26°C throughout the year, an increasing number of households use humidifiers to offset the resulting dryness. In this way, living conditions have evolved such that even when it is cold outside and people wrap themselves in scarves, they change into t-shirts and shorts when they return home as if it were summer year-round. Yet this also means the environment now allows insects to survive the winter inside these homes.

A Long-term Perspective Is Required to Become a Total Care Company for Infectious Diseases

Earth Corporation aims to become a total care company for infectious diseases through its various products and initiatives. In particular, this aspiration relies on insecticide research that takes a long-term perspective on countering insects that transmit infectious diseases.

Our research focuses on all manner of insects for this very reason. Over the past few decades, Earth Corporation has been continuously involved in research into bedbugs, for example, even though they have only recently attracted attention in Japan. Our constant eye to the future, not just the present, is the reason why we have invested research and development expenditures in this area for so long. This approach allowed us to foresee the eventual arrival of bedbugs in Japan because we knew they existed as a problem globally, yet were not seen as much of a problem here.

In fact, we were the only company that was able to release a product that also worked against super bedbugs, which are resistant to existing insecticidal ingredients, in a timely manner specifically because we had continuously researched the area for so long. Despite everyone saying this success was only natural for Earth Corporation, in truth we were only able to develop this product because we had already prepared for years-on-end.

The stance we value as a company that aims to protect the world from infectious diseases involves ascertaining the issues faced by society from a long-term, global perspective, and providing products and services that lead to their solution. At the same time, we tirelessly engage in preparations for this purpose. In fact, we have always valued a long-term perspective without much focus on chasing short-term profits. After all, no one knows what the future will look like 50 years from now. Perhaps a time will come when people will talk about how Japan once enjoyed the four seasons of summer, fall, winter, and spring? Some people may say that we ought to welcome global warming because we profit from insecticides as a company, but this could not be further from the truth. Conversely, we recognize warming as a global problem that will bring about abnormal weather events and rising sea levels, which is why we work to reduce CO_2 emissions and implement other warming countermeasures as a natural part of our corporate responsibilities. Aside from this, we must also predict problems that will arise from the perspectives of insects, ecosystems, and carbon neutrality, and engage in research to prepare for those potentialities that are likely to occur if a problem falls within the scope of our business purview. And because the knowledge we accumulate through our ongoing research also holds the potential to play a role in other areas of research, we do not see as wasteful the parts that would be eliminated if we took a more short-term perspective focused entirely on efficiency. Instead, we feel it is important to prepare for all contingencies, in other words, to allow for waste, which I believe Earth Corporation is capable of as a company.

Overview of the Previous Mid-term Business Plan and Ongoing Initiatives

Fiscal 2023 was the final year of the three-year Mid-term Business Plan, titled Act For SMILE–COMPASS 2023–. From the outset, we assumed that some challenges would remain unmet because mid-term business plans necessarily break up business activities into three- to five-year long intervals, despite business being an unceasing endeavor. The real problem, as we see it, are those remaining items that were planned but never initiated. The three years covered by the previous Mid-term Business Plan experienced the unexpected emergence of COVID-19, and therefore failed to progress entirely as we had initially expected. However, we will for example roll over our targets for the overseas strategies that we failed to achieve due to the impacts of the COVID-19 pandemic, and retain them as focused policies in the new Mid-term Business Plan, titled Act For SMILE COMPASS 2026, with a target of fiscal 2026. The reason we will maintain our original policy is because we recognize that the direction in which we are heading is right for us. The challenge, however, is dealing with a medium-term timeframe of three to five years amid a significantly changing environment.

Just looking at the past few years, the environment encompassing our business has experienced a succession of major developments, including COVID-19, the conflict in Ukraine, skyrocketing material costs, and foreign currency exchange rate fluctuations. Under these conditions, as part of the previous Mid-term Business Plan, we ascertained our earnings structure in more detail by introducing management accounting, as well as updated mission-critical systems, thereby building the foundation on which fundamental transformation can stand. Under the new Mid-term Business Plan, we will take up the challenge of restructuring the Group in a way that generates further synergy, and grow stronger than ever by working together.

Aspects to Be Changed and Left as Is When Expanding in Asia

In working toward the Earth Group's Corporate Philosophy which states "We act to live in harmony with the Earth," we are currently focused on overseas expansion, especially in Asia. However, we do not see Asia as a monolith, and will instead aim to capture the greatest market share of each country in the category of insecticides and repellents and other areas in which we engage in business.

Entering global markets also involves aspects of risk decentralization. Whereas Japan is at high risk of typhoons, torrential rains, earthquakes, and other natural disasters, some countries in Asia

face geopolitical risks, for example. Yet we cannot avoid entry into Asia with its remarkable growth potential as we aim for medium- to long-term business growth. We therefore intend to expand in a way that will also stabilize performance, for example, by having stronger regions compensate for those that exhibit a more sluggish performance.

In order to expand our share of overseas markets, we must understand the cultures, customs, people, and histories of each country. Yet there is no guarantee that other countries will accept products that are popular in Japan to the same degree. One of the strengths of Japanese companies is their ability to take a truly customer-oriented perspective, allowing them to develop products suited to the conditions of each country. Identifying common aspects of every country to create a unified product as a global standard necessarily leads at some point to a gridlock. For this reason, our first job is to understand the situation of each country, and consider which aspects of our fundamental technologies will be acceptable and can be applied to the customs of the specific country.
Our approach to product development prioritizes field investigations in which researchers travel directly to the region of interest and visit regular households. For example, we know from market research company data that the fear of mosquitoes that carry dengue fever is greater in Thailand than in Japan. But when we conducted a field investigation into the way insecticides were used against mosquitoes, we found that people in Thailand had a regular habit of first spraying their pets to check the safety of the products. Data alone fails to reveal this kind of daily habit. In this respect, our approach of advancing research and development starting with actual living conditions enables us to develop products that are helpful in a way that suits the culture of each country. We recognize this as a part of our product development culture that we must keep in place. On the other hand, there are also aspects that we must change. In response to the evolution in information devices and other changes, as we engage in the business of manufacturing, we must substitute what had been done manually until now with ChatGPT and other generative AI tools. Despite the difficulty of ascertaining the degree to which we should introduce them, we believe that we must continue to work in way that enables humans to ultimately travel to the site of interest and observe with their own eyes before making a judgement.

Aiming To Create Two Successive Impressions To Solve Problems

Our desire to solve the problems faced by our customers is what stands as the foundation of Earth Corporation's approach to product development. Changes in the environment and behavioral patterns are leading to new concerns. For example, the number of consumers using portable fans and neck coolers has increased dramatically over the past year or two as summer temperatures have risen. It is important to engage with these changes in behavioral patterns because we feel they may lead to new problems. I also believe this means that we must evolve, and not be obsessed with past successes.

I tell our employees that we should aim to create two succesive impressions to solve the concerns of our customers. The first impression occurs during purchase. In other words, it is what leads a consumer to make a purchase when they find a product that suits their own needs. What is just as important, however, is the second impression. This impression emerges when a product has resolved their problems, ultimately evolving into the desire to buy the product again, and leading to repeat purchases. In this respect, Earth Corporation is not just a manufacturer, but a provider of solutions to problems.

Since its name change in 2021, the Customer Service Department, under the direct control of the president, has received more than 90,000 inquiries a year. The majority of these inquiries are about the lifestyle problems faced by our customers, not about problems with products, which I see as a major feature of the Company. The role that our product lineup must therefore fulfill is to provide solutions to these customer concerns. For this reason, we enter the opinions we receive from our customers into a database, and share this information throughout the Company in an effort to provide better products and services by developing new ones and improving existing ones.

Flexible Human Assets that Support Human Capital Management

I believe the driving force of corporate growth is our employees. We have defined "One Earth, Open communication, Diversity" as Earth Values and formulated our human resources materialities under the belief that employees are human assets. Based on our four human resources materialities which are "Create cost synergies by strengthening group management," "Build a work environment where well-being can be felt and foster internal culture," "Acquire and foster talent required for management and business strategies," and "Support self-motivated career development for diverse talent and create a framework," we have laid out initiative themes from short-, medium-, and long-term perspectives, and are engaged in efforts to strengthen the respective capabilities of our employees so that our diverse range of human assets can exercise their full potential. It is therefore critical for the Group to employ a diverse range of human assets with different ways of thinking.

In fact, we do not present a specific type of human asset that we hope to join the Company. Conversely, I want us to function as a company that is chosen by candidates. For this reason, we must focus on more than net sales and profits, and instead engage in a wide range of corporate activities with which candidates empathize so that they want to join us. At the same time, the Company must possess the flexibility to accept any kind of human asset. I do not believe the term "diversity" refers to issues resulting from differences between the male and female genders, but to a situation in which distinct human assets with different ways of thinking come together, and exercise the flexibility to acknowledge and accept each other.

Aspiring To Become a "Good Company" with Strong Support Together with Stakeholders

I often explain to others that I myself am committed to lacking obsessions. As far as management is concerned, for example, I simply play the role of president, and do not manage the company all by myself. In this way, I believe the prerequisite for a "good company" is that we have done away with our obsessions over roles, and instead function as a group in which everyone helps each other beyond just the jobs they are assigned. Moreover, every employee must believe that we are a "good company." Likewise, the basis of interactions between individuals is founded on the simple idea that we do for others what we would like others to do for us, and do not do to others what we would not like them to do to us. If the entire Company moves in this direction, I believe that our employees will naturally come to recognize us as a "good company."

We must also value the approach of a "good company" from a customer-oriented perspective. The prerequisite of a good company in this respect is neither net sales nor profits, but the support of consumers, which I believe is manifested through the market share. A market share, after all, represents the number of consumers that use a product and receive the impression that it has resolved their concerns, which is why we will pursue the ability to contribute to solutions.

In 2025, Earth Corporation will celebrate the 100th anniversary of its founding. In order to continue protecting safe and comfortable lives for people throughout the world, we aspire to be a "good company" together with our stakeholders, and aim to achieve sustainable growth and greater corporate value. It is my hope that the publication of this Integrated Report, which we are issuing for the first time, will help to deepen the understanding of our wide-ranging business activities. I therefore humbly ask for your continued and further support. Thank you.

Katsunori Kawabata

Representative Director, President & CEO
Earth Corporation
March 2024

Earth Corporation's Value Creation Process

Corporate Philosophy

We act to live in harmony with the Earth

Impact

The joys of acting in harmony with the Earth and of enabling comfortable lifestyles

Risks / Opportunities ← Social Issues ← Outcomes ← Outputs

Materiality → Medium-Term Management Plan → Inputs →

Our Understanding of the External Environment

≫ P.18

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

Materiality

≫ P.20

Inputs

≫ P.4

Financial capital

- Equity capital ¥66.5 billion
- Interest-bearing debt ¥10.2 billion

Human capital

(Figures for the fiscal year ended December 31, 2023)

- Number of employees (consolidated): 4,788
- Employees assigned to R&D Headquarters (consolidated): 318
- Ratio of female employees: 40.4%
- Number of career hires: 51
- Number of new graduate hires: 104
- Total training hours: 41,259

Intellectual capital

- Development of high value-added products
- Highly specialized human assets involved in R&D (Percentage of new graduate hires with master's degrees or higher 100%)
- Industry-academia collaboration, research with cooperating institutions
- Number of patents held: 302
- TACO system*
- Environmental doctors with high technical skills and expertise 429

Manufacturing capital

- Capital investment: ¥16.3 billion (Three-year total 2021-2023)
- Production bases: 12 locations (global)
- Production control system that contributes to improved productivity

Social and relationship capital

- Supplier companies 202
- Top share of insecticide and repellent market (56.9%)*1
- Establishment of Japan MA-T Industrial Association*
- Nationwide sales network approx.103,000 members
- Partner companies providing hygiene management support services 675

Natural capital

- Water usage (water discharge) 98,000 m^3
- Energy usage 115,510 GJ
- CO_2 emissions (Scope1, 2) 3,825 t-CO_2

* See the Glossary of Terms on P.62

*1 Intage SRI+ Insecticide market (excluding gardening products)
Nationwide total/All formats total
January to December 2023 Cumulative sales amount

Business Model

≫ P.16

Enabling safe and comfortable life, from Japan to Asia

Improving health and hygiene environments in Asia / Enabling a comfortable life

Realizing improvements in quality of daily life through our products and services

Eradicating everyday problems focusing on our insect control products

Earth Corporation Today ➤ **Medium-Term Management Plan** Act For SMILE COMPASS 2026 ➤ Earth Corporation of the Future

- Expand sales overseas
- Transform the earnings structure
- Strengthen Group management capabilities

Earth Corporation's Strengths

≫ P.16

- Unparalleled expertise in insects
- Sales network and capabilities extending across Japan
- Product development from customers' perspectives

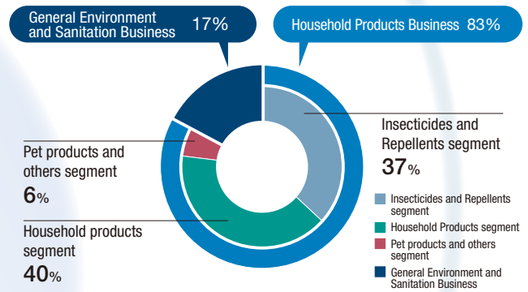
Foundation that supports value creation

- Corporate governance

Outputs

≫ P.32

Sales by Business Division



Household Products Business ¥139.0 billion

- Insecticides and Repellents segment ¥62.0 billion
- Household products segment ¥67.1 billion
- Pet products and others segment ¥9.7 billion

General Environment and Sanitation Business 29.0 billion

Discharges from business operations

- CO_2 emissions (Scope 1, 2) 3,825 t-CO_2
- Industrial waste outputs 3,883 t

Outcomes / Outcomes for Future Value Creation

≫ P.60

Economic value

- Dividends ¥118
- Total return ratio 63.6%
- TSR (10-year [cumulative]) 52.7%

Social value

Human

- Employee satisfaction level 3.38 (out of 5)
- Paid leave usage rate 84.9%
- Female manager ratio 11.4%

Intellectual

- Number of inquiries handled by the Customer Service Department: Approx. 90,000 cases/year
- Continuous product development leveraging unique intellectual property (TENEBENALTM, MA-T System®)
- Number of patent registrations: 44

Social capital

- Preventing the spread of insect-borne infectious diseases through the provision of products and educational activities
- Supplying research samples to public institutions and other organizations by means of high-quality insect breeding technologies 23 institutions; 5,123 insects
- Contributing to communities through the development of products that assist in disaster preparedness (Phase Free* Award 2023 winner)
- Certified as a Health and Productivity Management Outstanding Organization 2024 (White 500) for the fourth consecutive year
- Number of integrated environmental hygiene business contracts: 15,208

Environmental value (Compared with FY2020)

- CO_2 reduction rate: 29.8%
- Third-party verification of GHG emissions obtained
- Water usage efficiency: 3.5% improvement
- Final disposal rate of industrial waste 1.1%

Outcomes for Future Value Creation

Economic value

- Stable and continuous shareholder returns
- Increase in corporate value through Group synergies

Social value

- Enable health environment improvements and comfortable lives for people in Asia
- Build a work environment where well-being can be felt and foster internal culture
- Acquire and foster talent required for management and business strategies
- Support self-motivated career development for diverse talent and create a framework

Environmental value (Figures for 2030)

- CO_2 emissions reduction
- Transition to renewable energy
- Enhancement of water usage efficiency 10%
- Reduction in the emission of industrial waste to zero

Explanation of Earth Corporation's Value Creation Process

Since its founding in 1892, Earth Corporation has worked diligently to develop, manufacture and sell products to realize people's healthy and comfortable lifestyles. As lifestyles dramatically change across a wide range of fields, including awareness toward sanitary environments as well as safety and security, we will continue to challenge ourselves and expand our business areas through our two Household Products and General Environment and Sanitation businesses.

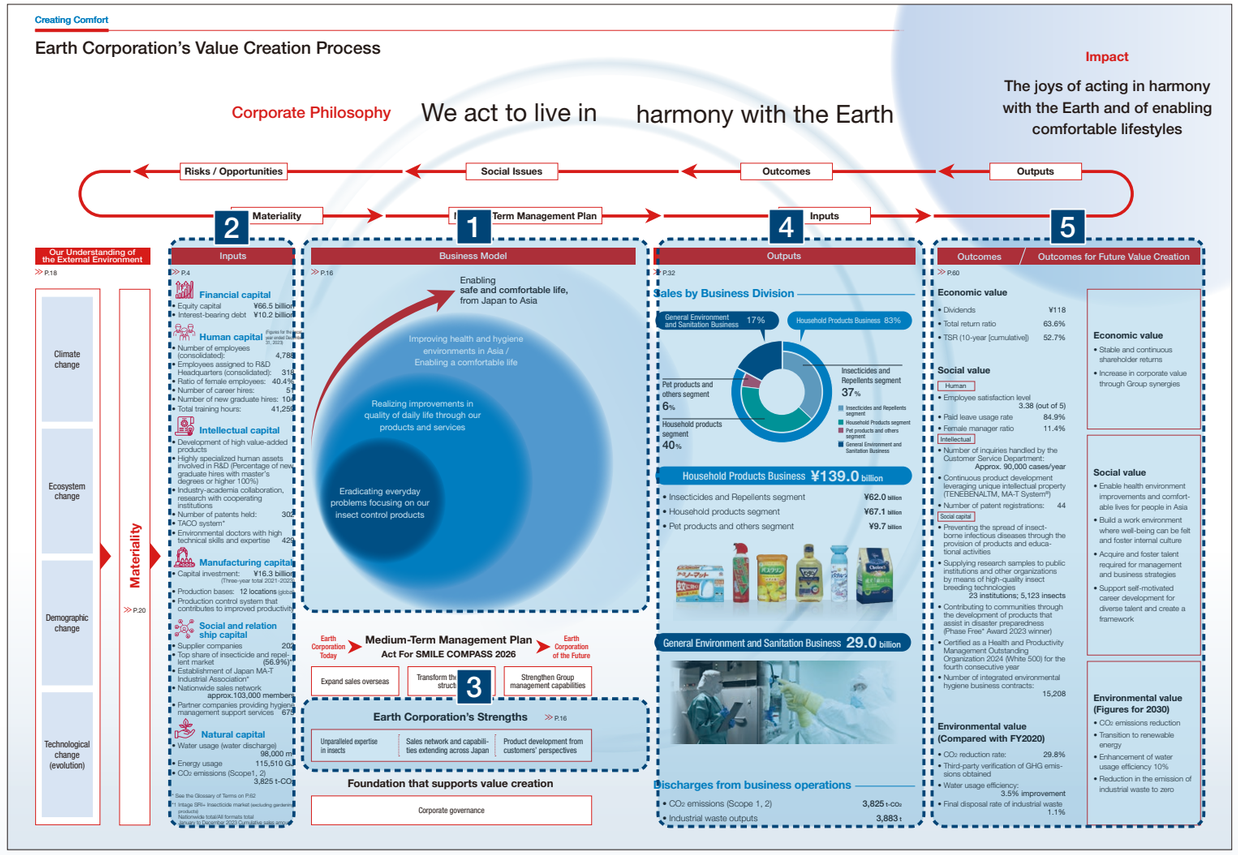
1 Business Model

Based on four functions—product development, production control, sales strategy, and global strategy—Earth Corporation's business model involves eradicating everyday problems centered on its Insecticides and Repellents. We are aiming to realize a safe and comfortable way of living all over the world in the future. Product development is the key to creating highly original products (➡P.40). Toward the reform of our corporate compass and infrastructure, the strategic framework outlined in our previous Medium-Term Management Plan, under product development we installed a new core system with the aim of realizing greater efficiency and sophistication in a wide range of business processes, including raw material procurement, outsourcing management, production management, cost management, and quality control. Having launched operations in 2024, looking ahead we will build a system that displays throughput in a visual form and enhances these processes, while aiming to further evolve our manufacturing in ways that contribute to improved earnings and cash flow. Undertaking the creation of unique sales areas by detailed market research based on our sales and global strategies—as well as from a customer-focused perspective that leverages the largest number of sales staff in the industry—we market our products both domestically and internationally.

2 Inputs

As of the end of fiscal 2023, equity capital amounted to ¥66.5 billion, the equity ratio was 50.3%, and interest-bearing debt ¥10.2 billion. We are therefore maintaining a healthy financial capital position that is capable of responding to any risks and opportunities associated with future changes in the environment. For Earth Corporation, which adopted Diversity as its core Earth Value, its human capital of 4,788 employees on a consolidated basis represents an indispensable management resource. Our competitive advantage is underpinned by the development of high value-added products as well as the 318 employees assigned to R&D Headquarters. Moreover, all new graduates hired for R&D have at least a master's degree (Earth Corporation non-consolidated). In terms of intellectual capital, we held 302 patents as of fiscal 2023. Also owning 12 manufacturing bases both in Japan and overseas, we have put in place a system that allows us to provide customers with high-quality products in a timely manner. Our strong relationships with 202 supplier companies and a nationwide sales network of approximately 103,000* members represent important social capital for co-creating a variety of value. Furthermore, having taken into consideration the global environment as materiality, Earth Corporation is working to improve its corporate value through the effective use of resources and waste reduction.

* Earth Corporation's estimate



3 Strengths

■ Unparalleled expertise in insects

The Biological Research Building at the Ako Research Institute is a unique pest research facility. Around 100 kinds of insect pests, including cockroaches (approximately one million) that inhabit both Japan and overseas as well as, for example, ants, flies, mosquitoes, and rats are bred there. Roughly 900,000 animals are used annually for experiments and research, which lead to product development. As a recent achievement, we have developed a new product that can eradicate resistant bedbugs that have built up an immunity to existing chemical agents. Through various measures, including presentations at academic conferences on the efficacy of our products, our advanced level of expertise continues to receive high acclaim from other researchers.

■ Sales network and capabilities extending across Japan

Earth Corporation sells its products through approximately 103,000 retail stores and distributors nationwide. Valuing communication with buyers and store staff, we offer proposal-based sales and seasonal proposals to increase sales not only of our own products but also of the entire product category at retail stores. At stores, which serve as points of contact with customers, we have put in place a system whereby around 210 specialists known as EMALs create sales floors that take into account seasonal and weather trends and support sales promotions.

■ Product development from customers' perspectives

The Customer Service Department receives approximately 90,000 notifications each year, which represent important information for improving quality. Customer feedback on issues in daily life is used to develop new products and improve existing products. We also take measures to ensure that our customers can use our products with peace of mind. This includes conducting tests that simulate the conditions under which they will actually be used.

4 Outputs

Through our two businesses, one covering household and the other general environment and sanitation products, we provide products and services that everyone needs, thereby helping to realize healthy and comfortable lives. The main products of the Household Products Business are insecticides and repellents, bath salts, and mouthwash, and the Company has earned the support of its customers, as evidenced by the fact that it holds the number one share of the domestic market for insecticides and repellents, bath salts* and the second largest share of the insecticide market in Thailand. In the General Environment and Sanitation Business, our Earth Environmental Services subsidiary provides services to prevent contamination and maintain and improve optimal sanitary environments in a wide range of industries, including food, pharmaceutical products, medical, containers, packaging materials, logistics, and warehousing.

* Earth Group's bath salts share of the market

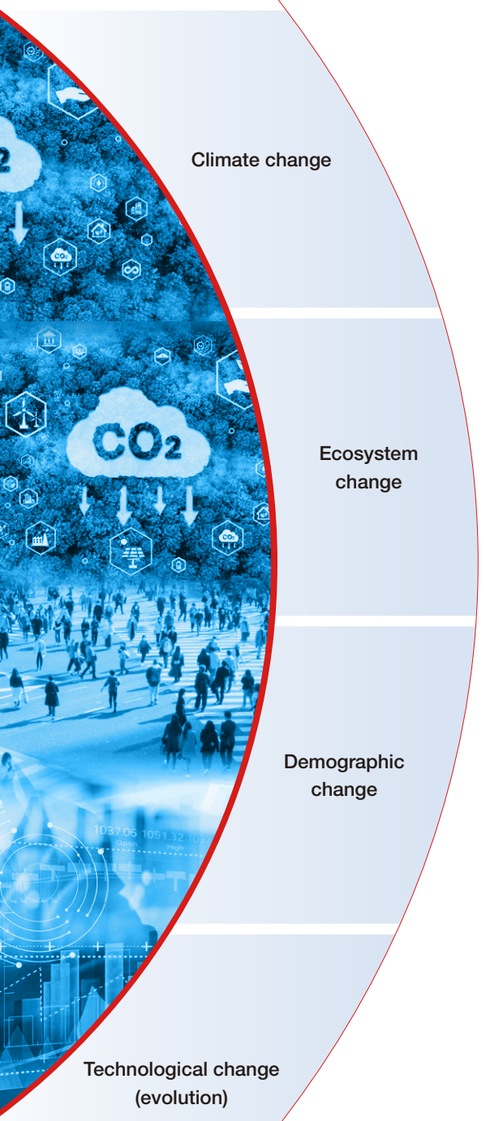
5 Outcomes

Closely accompanying people's behaviors in their day-to-day lives, Earth Corporation supplies products and services that provide even richer comfort. Amid dramatic changes in people's awareness of hygiene and safety brought about by climate and ecosystem changes as well as technological advances, the Earth Group remains mindful of the global environment while creating value in the form of high-quality products and one-step-ahead comfort through manufacturing that places a premium on the customer's perspective. This in turn helps improve the health and lives of our customers. Realizing improvements in people's quality of life, we will provide value to all our stakeholders through various means, including contributing to the welfare of our customers, shareholders, business partners, employees, the environment, and local communities, through our businesses.

Risks and Opportunities

As a part of efforts to promote sustainability management, Earth Corporation works to identify the wide-ranging risks inherent in its activities and the business opportunities that can potentially emerge from those risks. In addressing these risks and opportunities, we aim to resolve materiality (key issues).

External factors that have a significant impact on management



Risks and Opportunities	Initiatives	Materiality
●Risks ●Opportunities		
Climate Change / Ecosystem		
● Impact on ecosystems attributable to climate change	• Manage and report on CO_2 emissions, waste, and chemical substance use • Ramp up research endeavors to address the impact on ecosystems attributable to invasive species and climate change • Strengthen the development and marketing of products that address climate change • Bolster the general environment and sanitation business in light of growing sanitation needs	Responding to climate change
● High business seasonality	• Strengthen business pillars and ensure stable earnings throughout the year	
● Impact on business during a pandemic	• Strengthen BCPs / BCM	
● Acclimation to a resource-circulating society	• Engage in development using recycled and environmentally friendly materials	Attention to global environmental problems
● Research and product development in tune with changes in the external environment	• Formulate biodiversity policies and promote related initiatives • Undertake training to ensure proper expertise, including pest preventive measures • Expand product lines that match activity needs	
Demographics		
● Securement of human resources on the back of a downturn in the working population	• Put in place a comfortable workplace environment • Support independent career development	
● Diversity and inclusion	• Promote the active participation of diverse human resources	
● Provision of a working environment	• Develop human rights and labor practice policies • Promote health management activities	Promoting sustainable procurement
● Global market expansion	• Broaden the trading zone to expand the profit foundation in Asia • Engage proactively in the recruitment and development of global human resources	
Laws and Regulations		
● Compliance with various business-related laws and regulations in Japan and overseas	• Ensure compliance with the Pharmaceutical and Medical Devices Act, regulations on chemical substances and other relevant regulations • Gather information through participation in various consortiums	Providing products and services that contribute to safe and comfortable living
● Compliance with changes in information disclosure standards	• Engage in dialogue with investors, business partners, and other stakeholders	
Supply Chain		
● Raw material availability	• Consider and develop multiple purchasing sources and promote the use of alternative materials	
● Quality-related risks	• Conduct periodic audits of own and contracted manufacturer plants • Undertake quality-related training activities	
● Sustainable procurement	• Revise the Supplier Code of Conduct	Creating workplaces that support activities by diverse individuals
● Response to raw material price hikes	• Create cost synergies by strengthening group management	
● Response to changes in the logistics environment	• Build efficient logistics networks	
IT / Digitalization		
● Leakage of information and security threats	• Strengthen information security	
● Creation of manufacturing innovation	• Promote collaboration between industry, academia and government, and between companies • Strengthen marketing to promote expanded use of Matching Transformation System (MA-T®) technology • Strengthen IP strategies	Strengthening the management base
● Use of digital technology	• Engage in management through the standardization and visualization of operations • Develop and introduce a coordinated system to strengthen the production system • Introduce and utilize generative AI • Provide services that utilize IoT	

Materiality

To meet the expectations of stakeholders and continually develop the Group over the long term, Earth Corporation recognizes the critical need to evaluate the impact of various social issues on corporate activities and to clarify issues that are important to management. Based on this understanding, we identified materiality (key issues) in 2021.

Materiality Identification Process

1	Identify issues	Identify issues, making reference to international frameworks and guidelines in the sustainability field
2	Identify materiality	The CSR & Sustainability Promotion Committee and heads of divisions evaluate the importance of issues in business based on the Company's directions, and create a draft of material issues
3	Prioritize materiality	Following interviews with top management and outside directors, approve material issues through reviews by the Board of Directors

Categories	Materiality (Key Issues)	Key topics and main measures	Targets and KPIs	Responses to SDGs	Short-term Targets (FY2023) and Results			
					Targets	Results	Evaluation*	Special Remarks
Environment	Responding to climate change	• Reduce CO_2 emissions	• Reduce CO_2 emissions: Compared to 2020 (Scope 1, 2) ・14% reduction (2023) ・28% reduction (2026) ・46% reduction (2030)	3, 7, 9, 12, 13, 14, 15, 17	14% reduction of CO_2 emissions	29.8% reduction	○	–
		• Promote a transition to renewable energy for electric power	• Transition to renewable energy: ・Renewable energy at plants (renewable energy rate: 60%) (2023) ・Renewable energy at R&D Center (renewable energy rate: 90%) (2026) ・Renewable energy at offices* (renewable energy rate: 95%) (2030) *Excluding tenant offices		Complete the transition to renewable energy at plants (renewable energy rate: 60%)	Complete the transition to renewable energy at plants (renewable energy rate: 56.3%)	○ (△)	Reduced the use of renewable energy at plants (renewable energy rate below 60% owing to such factors as the suspension of operations at the Kakegawa Plant)
	Attention to global environmental problems	• Increase the efficiency of water usage in relation to production (from R&D to production)	• Increase water usage efficiency: Compared to 2020 ・3% increase (2023) ・6% increase (2026) ・10% increase (2030)		Increase water usage efficiency 3%	3.5% increase	○	–
		• Use resources effectively, striving for a recycling-oriented society	• Zero emission of industrial waste and other materials from plants and R&D Center: ・Investigate and review status at waste treatment subcontractors (2023) ・Zero emissions at plants and R&D Center (2026) ・Continue zero emissions at plants and R&D Center (2030)	3, 6, 12, 13, 14, 15, 17	Investigate and review status at waste treatment subcontractors	Ongoing review of disposal methods, the status of landfill disposal, etc. at waste treatment subcontractors	○	Final disposal rate: 1.1%
		• Stipulate Earth ECO Standards, and expand the scope of environ-ment-friendly products	• Established Earth ECO Standards (2023) • Expand the scope of products compatible with Earth ECO standards and promote information disclosure (2026 and 2030)		Establish Earth ECO Standards	Achieved	○	Established in 2022
	Promoting sustain-able procurement	• Promote procurement of environ-ment-friendly packaging materials	• Forest certified paper usage rate (by weight): ・Usage rate: 10% or more (2023) ・Usage rate: 30% or more (2026) ・Usage rate: 70% or more (2030)	5, 6, 7, 8, 10, 12, 13, 14, 15, 17	Forest certified paper usage rate 10% or more	11.45%	○	Forest certified paper 338 t / Container, paper products overall 2,951 t
Social	Providing products and services that contribute to safe and comfortable living	• Reduce the number of major quality incidents that negatively impact customer satisfaction and trust to zero by raising the periodic quality inspection implementation rate both at own plants and at contractors' factories	• Periodic quality inspection implementation rate: Maintain at 100% (2023, 2026, and 2030)	4, 11, 12	Quality inspection imple-mentation rate 100%	100%	○	36 locations / 36 locations
		• Ensure compliance with relevant laws and reduce the incidence of major violations to zero by enhanc-ing the implementation rate for the annual education and training plan.	• Education and training implementation rate: Maintain at 100% (2023, 2026, and 2030)		Education and training implementation rate 100%	100%	○	15 locations / 15 locations
	Creating workplaces that support activi-ties by diverse individuals	• Encourage employees to take annual paid leave entitlements	• Paid leave usage rate: Maintain at a level of at least 70% (2023, 2026, and 2030)	3, 5, 8, 10	Paid leave usage rate 70% or more	84.9%	○	Planned summer annual leave (expanded system of selection) Establish paid leave incentive days (5 days annually)
		• Support female empowerment by raising the share of women in man-agement-level positions	• Female manager ratio: ・At least 10% (2023) ・At least 18% (2026) ・At least 30% (2030)		Female manager ratio 10% or more	11.4%	○	32 / 281
Governance	Strengthening the management base	–	–	5, 8, 10, 12, 16	–	–	–	–

* ○: In line with plans △: Presence of delay

Mid-term Business Plan

Looking Back at the Mid-term Business Plan "Act For SMILE COMPASS 2023" (2021-2023)

Earth Corporation carried out Act For SMILE COMPASS 2023, its Mid-term Business Plan, in a bid to sustainably raise its corporate value. Under the plan, we realized a foundation for growth, and with the goal of empowering a more flexible and lean structure, we endeavored to implement measures based on four focused policies.

The previous Mid-term Business Plan set forth policies focused on the following: "Reform Corporate Compass & Infrastructure," "Expand Profit Foundation in Asia," "ESG & Open Innovation," and "Generate Cost Synergies" with a view to achieving higher profitability. Based on the funds raised through our equity initiatives in 2020, we have aggressively pursued growth-oriented measures, including such M&A activities as the acquisition of a local subsidiary in the Philippines and the transfer of BARTH, as well as capital investments in the expansion of production facilities for the bath additive "ONPO," and a fundamental renewal of our core systems.

As far as the external environment is concerned, the market for insecticides and repellents, as well as bath salts expanded on the back of stay-at-home demand during the COVID-19 pandemic, but unexpected changes also arose, including the rapid depreciation of the yen and soaring raw material prices.

Against this backdrop, we were able to maintain profitability owing to the sale of high value-added insecticides and repellents and revisions to prices. In addition, we have promoted system investments and the introduction of management accounting to lay the groundwork for future reforms. However, profitability declined with bath salts and mouthwashes due to shifting demand and an increasingly competitive environment as competitors entered the market, as well as the diversification of household product categories. As a result of these factors, we were unable to achieve our stated profit targets, and recognize that profitability remains a challenge.

	Target*1	Fiscal 2023 Results	Evaluation
Consolidated sales	¥157.0 billion	¥158.344 billion	○
Operating income	¥14.0 billion~¥16.0 billion	¥6.370 billion	×
Net income	¥10 billion	¥4.102 billion	×
ROE	13.0% or more	6.3%	×

*1 At the time of formulation of the Mid-term Business Plan

■ Shifting toward a Lean Management Structure

We are working to raise profitability and improve return rates to ensure sustainable growth and a competitive advantage in the market.

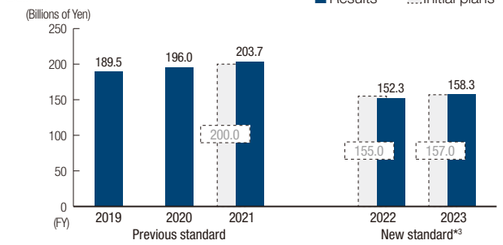
The domestic insecticides and repellents segment, a core source of revenue distinguished by its stability and high profitability, trends toward moderate sales growth, despite being in part impacted by weather conditions. Given the effects of soaring raw material prices, the Company, as Japan's top maker in this area, implemented price revisions in a bid to ensure profitability. In addition, although the recent product return rate has improved to 6.2% (11.8% in 2013), an issue that has continued to attract attention, we recognize that there is room for further improvement.

Turning to household products in Japan, although we expanded the category in response to increased demand during the COVID-19 pandemic, brand investment was dispersed and resources were insufficiently allocated to bath additives and mouthwashes, the segment's mainstay products. This was a factor behind the decline in market share. In the future, we will take into consideration the profitability and other factors of each product, and adopt a selection and concentration approach toward development categories and SKUs in order to enhance efficiency.

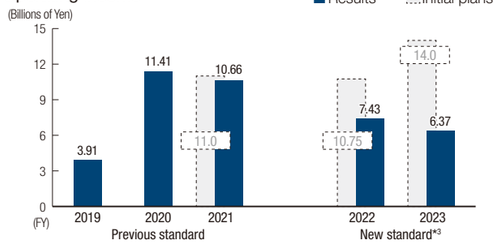
Overseas, our performance in China declined dramatically in 2023 due to market deceleration, against the backdrop of a downturn in the brisk Chinese growth and changes in the external environment. Despite these difficulties, we achieved sales growth in ASEAN countries as well as the export business. In Thailand, we captured the No. 2 share of the insecticides and repellents market, and are working to take the market's top share. In Vietnam, household detergents are a mainstay product. Building on this solid foundation, we are aggressively marketing insecticides and repellents as well as mouthwashes. Vigorously growing our business, with a focus on ASEAN countries, overseas sales amounted to ¥17.5 billion*2, accounting for over 10% of overall sales. While sales are exhibiting an upward trend, each country continues to confront its own growth challenge. Under these circumstances, we will develop strategies tailor-made to the conditions in each country.

*2 On a management accounting basis.

Sales

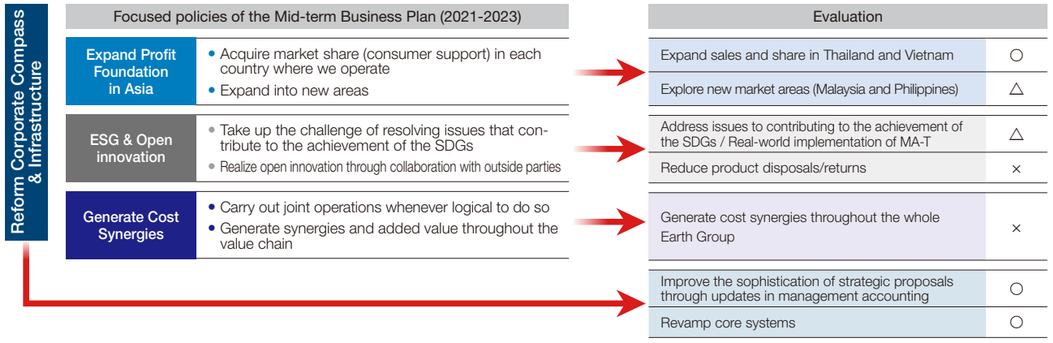


Operating income



*3 Due to the application of the "Accounting Standard for Revenue Recognition," sales have been reclassified from the previous standard.

Focused Policies of the Mid-term Business Plan and Evaluation

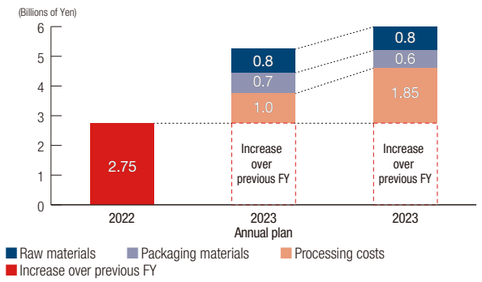


○: Initiatives with results △: Initiatives in progress ×: Initiatives not fully executed

■ Addressing the Soaring Cost of Raw Materials and Revising Prices

In the two years since 2022, the soaring cost of raw materials had a roughly ¥6 billion impact on the Company.
Beyond raw materials, packaging materials, and supplies, there was also a broad impact on outsource processing and other costs, an increasingly large monetary amount that significantly buffeted the Company's performance. Furthermore, the nature of the Company's business is seasonal. For that reason, we assume that the stockpiling and production of products will cause a time lag before the effects of raw material price hikes come to the surface, and that the effects will remain past 2024. In 2023, as a measure to mitigate the extent of impact, we worked on price revision measures and achieved a profit contribution of ¥2.1 billion, mainly from insecticides and repellents. From 2024 onwards, we will continue to revise prices, primarily on such products, and will endeavor to raise the brand value of household products.

Price increases



Price Transfer effect

■ Progress in Diversifying Categories

Against the backdrop of changing consumer behavior during the COVID-19 pandemic, we worked to promote new categories, such as sanitizers, nursing care products, and household detergents. Bubloon, a household detergent, is a success story that has enjoyed considerable sales growth attracting considerable SNS and other media Interest. However, buffeted by numerous changes to market conditions, profitability is experiencing a decline. Moreover, and while having promoted category diversification, our brand investment has become increasingly dispersed. We recognize the existence of issues with regard to the selection and concentration of marketing resources, the strengthening of brands in priority categories, and building a so-called fan base.

Examples of product launches in new categories

Sanitizer products Household detergents

■ Laying the Groundwork for Fundamental Reform

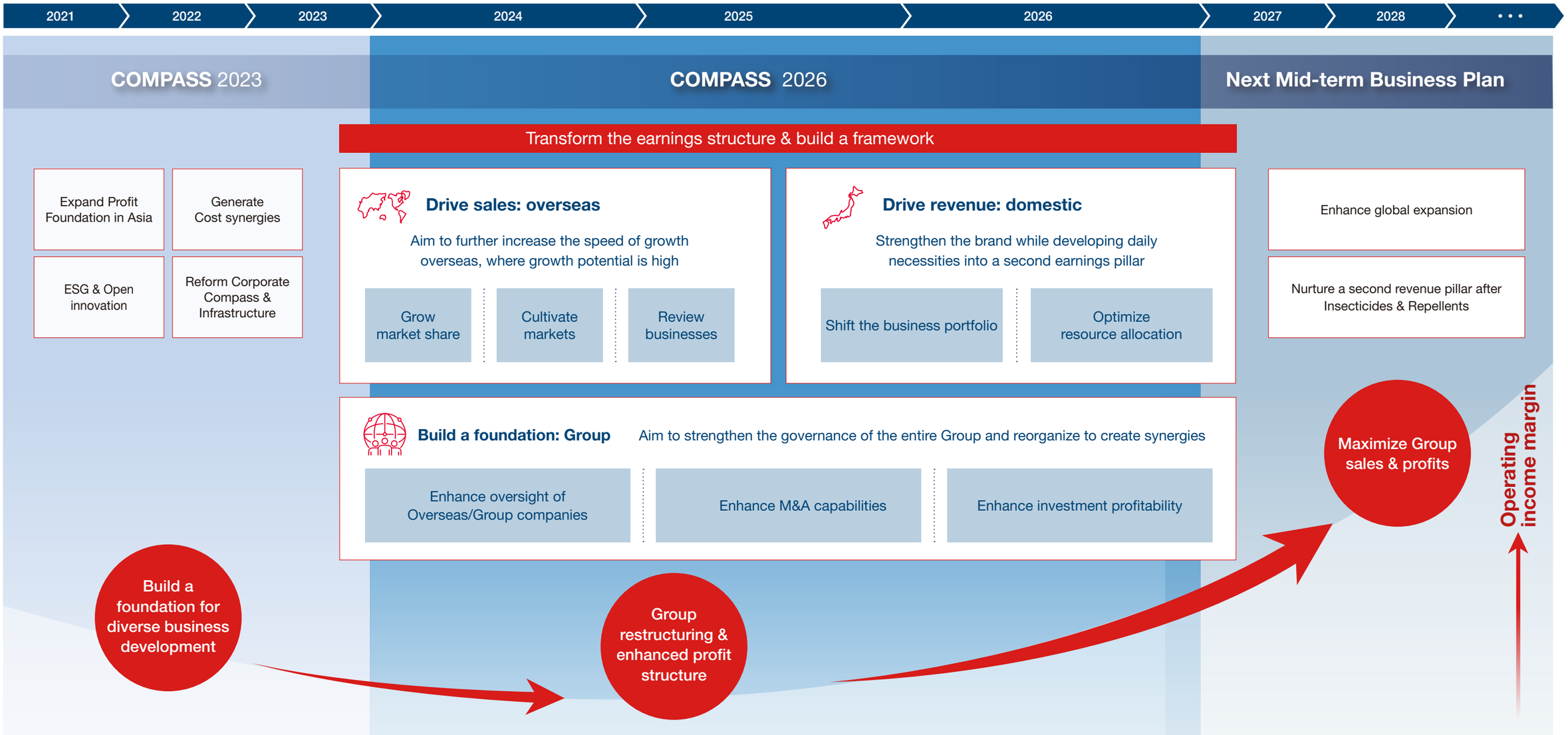
In response to new evaluation indicators (compass), such as the cost of capital and non-financial KPIs, we have fundamentally revamped our business infrastructure, including various internal programs and regulations, business processes, and systems. In particular, the revamping of our core system has enabled us to create a scheme that contributes to improved profitability by enhancing the accuracy of supply-demand planning, thereby streamlining supply chain management. We will work to improve the precision of our forecasting and actual results management by linking integrated management, from production to sales, with the visualization of earnings by category and business unit through the evolution of management accounting. We will reorganize our business portfolio based on this scheme.

On the other hand, due to the COVID-19 pandemic, we have not been able to create the cost synergies for the Group that we had envisioned, and this remains an issue for 2024 and beyond.

Medium-to-long-term concept of the Earth Group

To drive the long-term growth of the Earth Group, we will solidify the Group management foundation by building governance that supports international businesses and other growth fields, and restructuring organizational functions for generating synergies, thereby aiming to improve profit margins from 2027 onward.

SLOGAN **Our Group Working Together Toward a Bright Tomorrow for EARTH**



New Mid-term Business Plan: Act For SMILE COMPASS 2026 (2024-2026)

Earth Corporation will welcome the centennial anniversary of its founding in 2025. Its Mid-term Business Plan, which starts in 2024, is positioned as a three-year period of preparation to move from individual optimization to overall Group optimization. We will take this 100th anniversary as an opportunity to create a framework for growth toward a refreshed Earth Group.

Goals of the new Mid-term Business Plan

- Work to further accelerate growth in the overseas business, which has high growth potential
- Nurture household products as a second revenue pillar while enhancing brand recognition
- Enhance overall Group governance and aim to execute restructuring toward the generation of synergies

Positioning of the New Mid-term Business Plan

Three-year period to build a revamped structure for the Earth Group

Mid-term Business Plan (2024-2026) main drivers

- Expand sales overseas
- Transform the earnings structure
- Enhance Group management

■ Expand Overseas Sales

Continuing on from the previous Mid-term Business Plan, we have positioned overseas markets with large growth potential as growth drivers for the Earth Group, and have identified reinforcement measures, including "implementing a growth strategy at each local organization," "building a supply chain in line with the Mid-term Business Plan in each area," and "expanding talent that supports growth."

We are accelerating regional strategies mainly in Thailand, China, Vietnam, the Philippines and Malaysia, where we have local offices. We are promoting the building of business foundations in Thailand and Vietnam, where we aim to expand revenue and market share in addition to sales, and in Malaysia and the Philippines, where we are working to expand sales channels. Particularly in Thailand, our focus is on insecticides and repellents, air fresheners, and oral hygiene products, and have established a solid brand position.

Among these, we will aggressively expand insecticides and repellents, with a view to achieving the No. 1 market share in Thailand in the near future. In addition, the Company will work to enhance the value of the "ARS" brand through the implementation of dengue fever prevention activities. In Vietnam, based on strong sales of mainstay household detergents, we are working to increase the number of homes to which we distribute insecticides and repellents, air fresheners, and mouthwashes.

In Malaysia, which we have defined as an area of expansion, we established a local subsidiary in 2019. Here, our performance has been lower than initially expected due to the COVID-19 pandemic. In order to rebuild our sales channels, we will undertake a review of our contracts with distributors, strengthen the introduction of Company products to our main retailers, and cultivate the development of new channels. Likewise, in the Philippines, another area of expansion, we started operations by means of an M&A in 2022, and are promoting the introduction of insecticides and repellents based on existing channels and products, as well as the development of new channels.

In China, we will review our business strategy in response to the rapidly changing environment and will strengthen sales to top retailers that are operating physical stores. Moreover, we will accelerate the development of our export business in the Middle East, primarily in Saudi Arabia, as well as in Taiwan and North America, while also accelerating the lateral spread of successful cases in each area.

Production and supply capacity needs to expand in tandem with rising sales. To establish a product supply system that operates smoothly and boosts profits, we will develop a supply chain system from the perspective of overall optimization in conjunction with the medium- and long-term plans of each area, while utilizing resources among the Group and areas. Furthermore, if necessary, we will also build a production system and logistics network through various measures, including M&As.

In addition, it will be essential to strengthen human resources in line with global shifts in order to achieve overseas sales and business expansion. We will actively promote the securing of human talent, including global human resources and local hires, which is an issue of the utmost importance, even among human resources materiality.

■ Transform the Earnings Structure

While maintaining a firm grasp of profit derived from insecticides and repellents, which are products that support the foundation of the Company, we will also work to increase revenue-generating categories of household products, which we aim to nurture as a second pillar of profit. In addition, we will move forward on the review of various costs that arise from the introduction of management accounting due to the implementation of the previous Mid-term Business Plan as well as the utilization of core system construction. We will work on "Selection and concentration" of brands/SKUs, Improving brand value and WTP*4, as well as Lowering return rates for insecticides and repellents. While we were able to elicit new possibilities by expanding our development categories against the backdrop of changing consumer behavior during the COVID-19 pandemic, there were categories of intense competition, which was one factor behind the deterioration of profitability. In light of these conditions, and in addition to again defining core categories, we aim to improve efficiency with the goal of reducing SKUs by 30%, taking profitability and future growth potential into consideration. Moreover, we will review the allocation of marketing investments and aggressively invest in the bath salts and oral hygiene categories, which are the mainstay of household products.

Bath salts and oral hygiene products continue to experience challenging conditions, and their share of the market is in decline. Without causing damage to our products and brands, we will redefine brand value for our customers in order to make our brands long-loved by customers, and to heighten the effectiveness of our initiatives we will enhance the accuracy of measures by redesigning brand KPIs and strengthening the monitoring of communication measures.

In addition, with the goal of having zero returns of insecticides and repellents, we will work across the industry and take action to reduce returns, and contribute to lowering environmental impact.

*4 WTP: Willingness to Pay.

■ Enhance Group Management

Earth Corporation has promoted an aggressive level of M&A, and expanded business and product domains. On the other hand, despite our efforts up to the present to reform costs and create synergies across the Group, both in and outside of Japan, obtaining sufficient results has proven elusive. Given such an issue, under the new Mid-term Business Plan, our efforts will focus on creating cost synergies through reorganization, strategic M&A, and improving profitability on investment.

We have launched our reorganization project and are pushing forward with preparations to promote the reorganization and consolidation of functions from the perspective of overall Group optimization, and to create cost synergies.

In addition, we have positioned M&As as one of the means to resolve challenges at the Earth Group. To actively evaluate and build a promotion system, we will reorganize the M&A longlist/shortlist and revamp the PMI promotion system. At the same time, we will fully monitor post-investment conditions and strengthen the system to quickly identify challenges while discussing how to address them.

2026: Quantitative targets

		2026 Plan
Profitability	Consolidated sales	¥170 billion
	(Overseas sales*5) Sales ratio	¥25 billion 14.7%
	Operating income	¥7 billion
	Operating income margin	4.1%
	Net income	¥4.3 billion

		2026 Plan
Capital efficiency	ROE	7.2%
	ROIC	5.4%
	WACC	4.1%
Financial health	D/E ratio	0.3~0.4x
Shareholder returns	DOE	Maintain 4% level

*5 On a management accounting basis. Consolidated adjustments, e.g., internal eliminations not included.

Financial Strategies

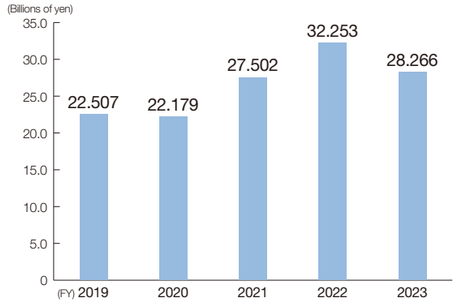
In light of significant forecast changes in the business environment going forward, finance will play a major role in honing our ability to adapt. In addition to successfully reforming the structure of the Group's earnings, a key theme under our medium-term management plan, Act For SMILE COMPASS 2026, we will endeavor to build a flexible yet robust financial base.

Improving asset efficiency through balance sheet management

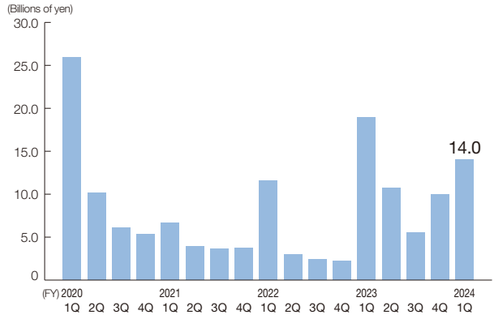
Targeting lean management underpinned by a robust financial base, we are working to improve cash flows by optimizing and minimizing inventory. Pushing forward inventory reduction initiatives, against the backdrop of strengthening supply, and demand adjustment functions through the renewal of our core systems and other initiatives, we were able to reduce inventory by ¥4 billion year on year as of the end of 2023. Buoyed by the subsequent reduction in our borrowings burden by ¥4 billion, positive steps have also been taken to secure a borrowing capacity geared toward growth.

There is still room for improvement in terms of inventory efficiency. Although closely related to the raft of measures adopted for the reform of our earnings structure, we are working to improve the number of inventory turnover days as a KPI.

Inventory assets



Borrowings by quarter

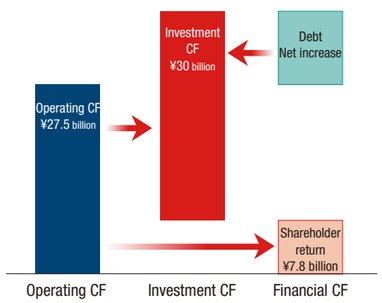


Cash allocation

Under the medium-term management plan, we will actively invest in growth. We are expecting to earn approximately ¥27.5 billion in cash flows from operating activities over the three-year period from 2024, while also planning investments around the ¥30 billion mark utilizing borrowings as a source of investment capital. In specific terms, besides investing in expanding our production facilities, in IT and digital technologies as well as in human resources, we are also preparing capital as standby funds for the structural reforms outlined in our medium-term management plan and future M&A.

As far as strategic investments are concerned, it is vital that we apply a stringent approach to the decision-making process. For each and every one of these investment projects, we make thorough investment decisions based on hurdle rates that are set with an awareness of the cost of capital in conjunction with the appropriate monitoring of expected returns.

Cash Allocation (Outline of total amounts from 2024 to 2026)



Interest-bearing debt

- Agile approach to procuring debt when necessary
- D/E ratio: 0.3-0.4x – ensuring a sound financial foundation

Investment (Approx. ¥30 billion planned)

- Structural transformation capital: ¥5-6 billion
- Investment in infrastructure/IT digital: ¥15 billion (¥5 billion/year)
- Investment in human resources: ¥1 billion
- Capital for the future: ¥10 billion

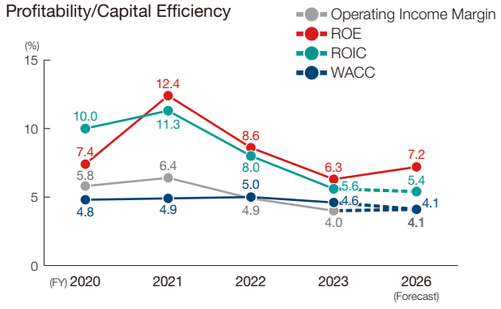
Shareholder returns policy

- Distribution of stable dividends aiming for a DOE target of 4%
- Consider flexible share buyback programs

Capital efficiency

Capital efficiency is essential when monitoring investments. Although our profitability has been on a declining trend since peaking in 2021, our WACC remains at around 5%. Carrying out the earnings structure reforms is naturally designed to improve profitability, but from the capital efficiency standpoint we will work to reduce WACC while ensuring financial soundness by effectively utilizing borrowings to expand investment opportunities. The thinking here is that the EVA spread will improve by 0.3 of a percentage point in 2026, the final year of our medium-term management plan.

Profitability/Capital Efficiency



Shareholder returns policy

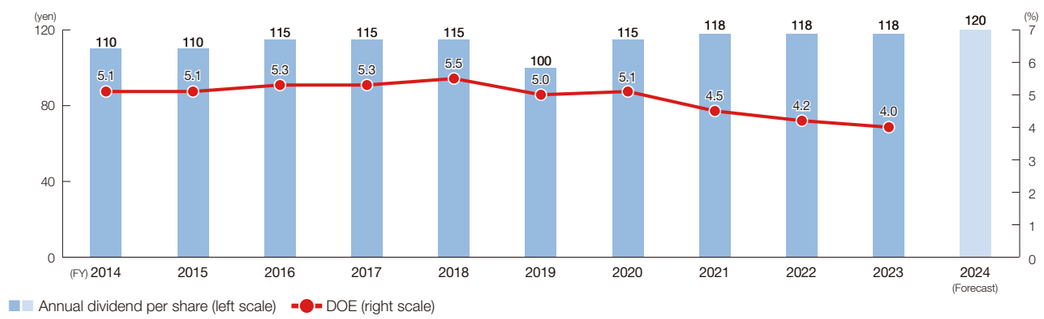
The return of benefits to shareholders is an important management issue. While securing internal reserves to maintain continuous growth and a robust management structure, we endeavor to continue stable dividends and a dividend on equity (DOE) target of around 4%.

The dividend for the fiscal year ended December 31, 2023, amounted to ¥118 per share, and the DOE was 4.0%. In addition to the regular full-year dividend of ¥118 per share for the fiscal year ending December 31, 2024, we will pay a commemorative dividend of ¥2 per share to express our gratitude to all parties involved for their long-term support and cooperation as we mark our 100th anniversary in 2025. Thus, the plan is for the full-year dividend to be ¥120 per share.

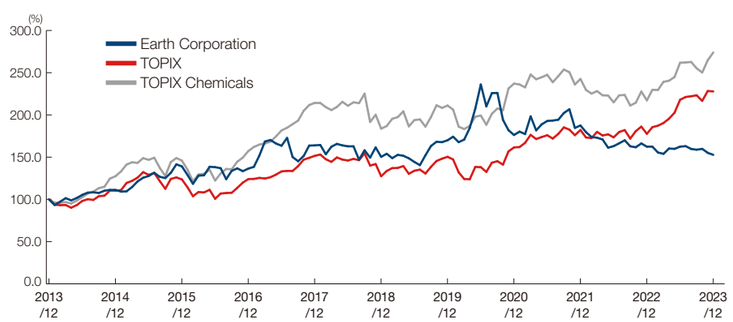
Earth Corporation continues to consider the flexible acquisition of own shares in line with cash flow conditions and share price trends. In 2024, we repurchased a total of ¥2 billion of treasury stock.

As outlined in our medium-term management plan, we are working to build a flexible yet robust financial base by transforming our earnings structure and improving our business portfolio.

Annual dividend per share/DOE



TSR



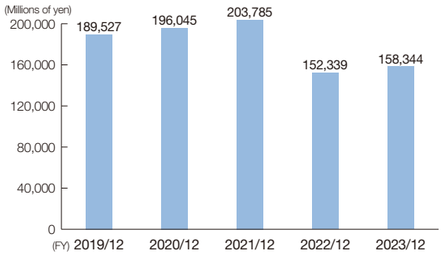
* Total Shareholder Return (TSR): Total shareholder yield. Total investment return combining capital gains and dividends.
* Earth Corporation calculates TSR based on cumulative dividends and share price fluctuations, while TOPIX calculations are based on a stock price index including dividends (Created by Earth Corporation using Bloomberg data, etc.).
* The graph values are calculated by indexing the TSR-based market value, the closing price data as of December 31, 2013, as 100 (holding period up to the end of December 2023).

Financial / Non-financial Highlights

Financial

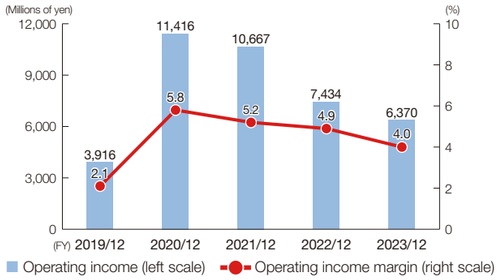
* The "Accounting Standard for Revenue Recognition" applied from fiscal 2022.

Consolidated sales



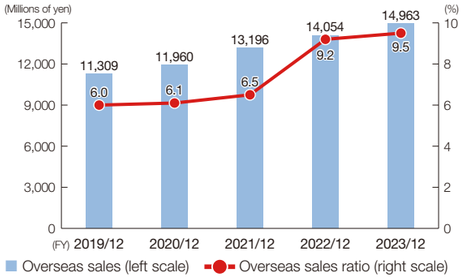
Sales increased 3.9% year on year to ¥158,344 million owing to a variety of factors, including increased sales of insecticides and repellents, a decrease in product returns, burgeoning sales in the ASEAN region, and sales growth in the General Environment and Sanitation Business.

Operating income / Operating income margin



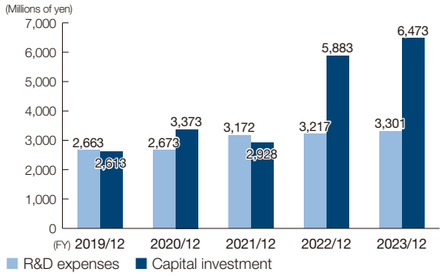
Operating income came to ¥6,370 million (down 14.3% year on year), on an operating income margin of 4.0% (down 0.9 of a percentage point year on year), due to such factors as an increase in the cost of sales ratio on the back of soaring raw material prices and an upswing in selling, general and administrative expenses.

Overseas sales / Overseas sales ratio



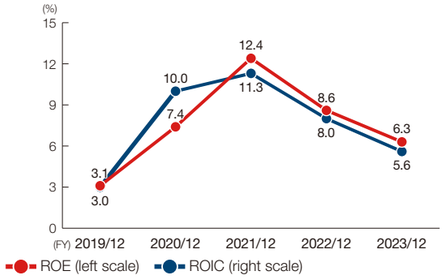
Sales of insecticides and repellents continued to grow, mainly in Thailand and Vietnam. Overseas sales increased 6.5% year on year to ¥14,963 million, with the overseas sales ratio reaching 9.5% (up 0.3 of a percentage point year on year).

R&D expenses / Capital investment



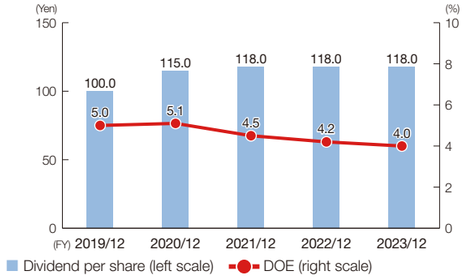
Research and development expenses amounted to ¥3,301 million. In the fiscal year under review, we worked to accelerate development in an effort to keep pace with the supply of products in response to rapidly changing domestic and international market environments and consumer trends. Capital investments totaled ¥6,473 million (on a construction basis). Investments were directed toward the renewal of core systems, the purchase of production equipment for various products, including the ONPO bath salts' production line, for molds, and research equipment.

ROE/ROIC



Due to a decline in earning power and profitability, ROE came in at 6.3% (down 2.3 percentage points year on year). ROIC came to 5.6% (down 2.4 percentage points year on year).

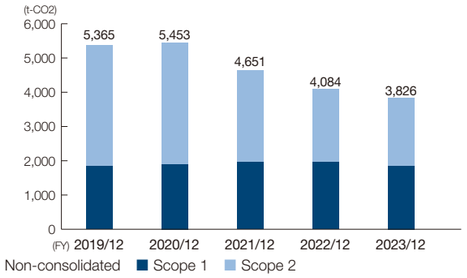
Dividend per share / DOE



Taking into account earnings performance for the fiscal year under review and the funds necessary for future growth, we set the dividend at ¥118 per share for a dividend on equity (DOE) ratio of 4.0%. Aiming to pay stable, continuous dividends, we will target a DOE ratio in the 4% range.

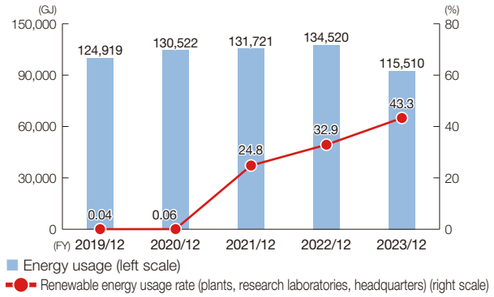
Non-financial

Greenhouse gas emissions (Scope 1+2)



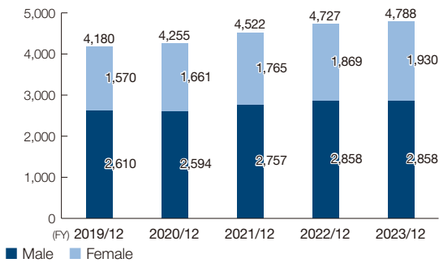
For the electricity used in the production building at our Sakoshi Plant, we switched to electricity derived from renewable energy sources in April 2023. As a result, greenhouse gas emissions came to 3,826t-CO_2 (a year-on-year decrease of 6.3%).

Energy usage / Renewable energy usage rate



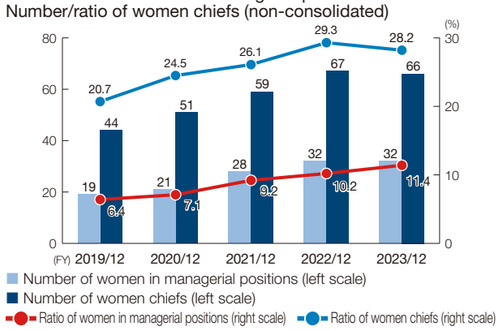
In terms of our use of energy, we are advancing efforts to combat climate change both through energy conservation and the use of renewable energy. Our plants completed the transition to renewable energy sources for electric power in 2023.

Number of employees (consolidated)



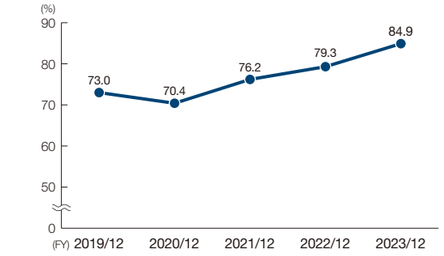
We engage in fair recruitment selection activities taking into account the aptitude and ability of each applicant. We will promote the creation of a human resource pool to expand our business through, for example, the planned recruitment and training of human resources and by fine-tuning our personnel planning.

Number/ratio of women in managerial positions / Number/ratio of women chiefs (non-consolidated)



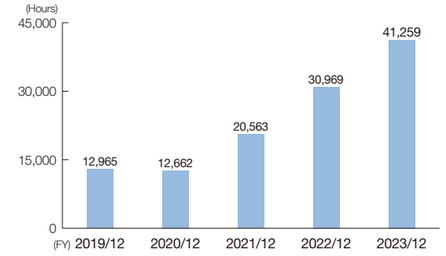
Recognizing that diversity is the driving force behind the Group's growth, we are continuing to implement measures to promote the active participation of female employees with the goal of achieving a 30% ratio of women in managerial positions in 2030. In fiscal 2023, the ratio of women in managerial positions was 11.4%, and the ratio of women chiefs was 28.2%.

Paid holiday usage rate (non-consolidated)



With the aim of creating workplaces that support the active participation of diverse human resources, we are working to introduce systems that allow for flexible workstyles and promote the use of paid holidays. In fiscal 2023, we implemented a variety of measures, including the planning of annual leave for summer vacations and setting up of days on which paid vacation is encouraged. Buoyed by these endeavors, the paid holiday usage rate rose to 84.9%.

Total training hours (non-consolidated)



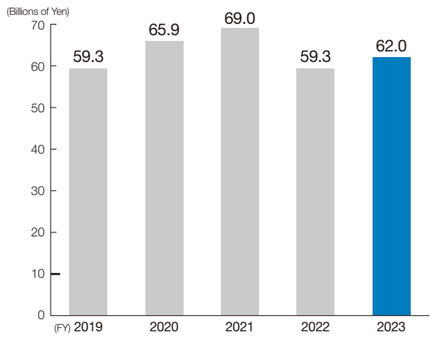
We conduct systematic training by rank and purpose with the aim of autonomous human resource development. Since fiscal 2022, we have also conducted labor management training sessions for newly appointed managers and training for mid-career hires to support communication with other departments and the building of good interpersonal relationships.

Household Products Business

Including the ways in which people view environmental health, safety, and reliability, today's lifestyles have changed significantly, leading consumers to increasingly express their desire to live fuller, more enjoyable lives. Having helped to support lifestyles since our founding 100 years ago, Earth Corporation has kept apace of people in their efforts to realize enjoyable lives by providing insecticides and repellents, bath salts, oral hygiene products, and other household goods.

Insecticides and Repellents

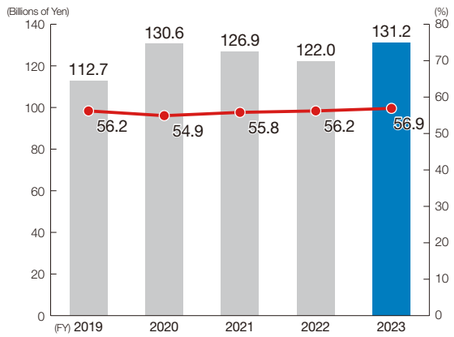
Domestic: Insecticides and Repellents Sales*



*Includes internal sales

Note: Since 2022, application of the accounting standards for revenue recognition.

Domestic: Insecticides & Repellents
Trends in Market Scale & the Earth Group's Share



Insecticides & repellents market (left axis) Earth's share (right axis)

Note: Since 2022, application of the accounting standards for revenue recognition.

In the household insecticides and repellents segment, Earth Corporation primarily handles products that exterminate and repel flies, mosquitoes, cockroaches, ticks, and other harmful insects. With sales of ¥62,031 million (up 4.5% year on year), this segment accounts for approximately 37% of total Company sales, and constitutes a highly profitable core business.

Despite their extremely high level of safety, however, consumers tended to believe that insecticides were highly toxic. We therefore started employing the term *Mushi-care* products (instead of *Sattyuuzai* insecticides) in 2017 as a means of ensuring that customers properly understand product safety and use our products with peace-of-mind.

Market Conditions

In contrast to skyrocketing raw material prices, exchange rate fluctuations, depressed consumer spending coinciding with inflation, and other negative factors against the backdrop of intensifying geopolitical risks, changes in the behavioral patterns of consumers driven by the spread of COVID-19 coupled with the greater added-value and higher unit costs of products, have tended to expand the domestic market. As the needs of customers have increasingly diversified, we have created a lineup of products that focuses both on exterminating harmful insects and on preventing their emergence, allowing us to maintain an overwhelming share of the domestic market at 56.9%*1. Since we equate market share to the level of customer support, we aim to continuously expand our footprint through the development of new products and the ceaseless improvement of existing products.

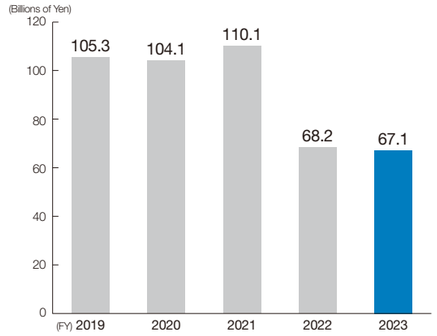
Initiatives

In response to the surge in raw material prices and other changes in the external environment, we are further increasing the added-value of our products and engaging in repricing activities in order to increase profitability. Despite the highly seasonal-dependent nature of our products, the period during which insecticides and repellents are sold has become longer in recent years, which is why we are working to minimize returns as a business practice from a distribution perspective. Moreover, in response to the damage from new harmful insects that has occurred with increasing numbers of travelers to Japan from abroad, we are also actively exploring B to B sales channels with lodging facilities, as one example.

*1 INTAGE SRI+ Insecticide Market Share for 2023 by Total Sales Value (excluding insecticides for home gardening)

Household Products

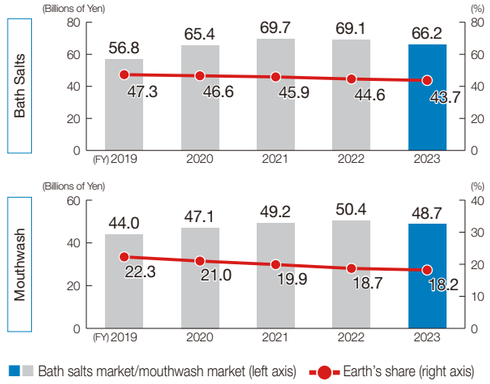
Domestic: Household Product Sales



* Includes internal sales

Note: Since 2022, application of the accounting standards for revenue recognition.

Trend in Market Share for Main Product Categories



Bath salts market/mouthwash market (left axis) Earth's share (right axis)

Note: Since 2022, application of the accounting standards for revenue recognition.

In the household products segment, we offer a broad range of items that support the health and enjoyable lifestyles of our customers, including bath salts, oral hygiene products, insect repellents for clothing, air fresheners, home cleaning products, and masks for household use. With sales of ¥67,199 million (down 1.6% year on year), this segment accounts for approximately 40% of total Company sales, and constitutes a second pillar of business.

Among these products, bath salts and mouthwash makeup the mainstay product categories today. In the bath salts category, we offer many brands, including BATHCLIN, Kikiyu, and ONPO, and launched sales of BARTH in 2023. In the mouthwash category, we offer products under the Mondahmin brand, which has robust name recognition.

Market Conditions

Although this segment benefited from the stay-at-home demand triggered by COVID-19 after 2020, with increasing opportunities to go out following the reclassification of COVID-19 as a Category 5 Infectious Disease and the desire among consumers to economize, the mainstay categories of bath salts and mouthwash have experienced a market contraction and face increasingly intense competition. Based on these conditions, our shares of the domestic bath salts and mouthwash markets in fiscal 2023 were 43.7%*2 and 18.2%*3, respectively.

Initiatives

Going forward, we will identify growth fields with the aim of transforming the earnings structure, and will work to streamline our product lineup and inventories. The next steps will be to select and concentrate on specific brands and SKUs*4, revise the way we allocate marketing investments, and strengthen customer-oriented marketing communication in an effort to strengthen the earning power that coincides with enhanced brand value.

*2 INTAGE SRI+ Bath Salts Market Share for 2023 by Total Sales Value
*3 INTAGE SRI+ Mouthwash Market Share for 2023 by Total Sales Value
*4 Stock Keeping Unit: The minimum unit for orders and inventory management

EMAL

Earth Corporation places emphasis on creating attractive sales floors in stores that serve as the point of customer contact. We have developed a unique support network throughout Japan called "EMAL," which creates attractive sales floors that take into consideration seasonal, climatic, and other trends, and that support sales promotions.

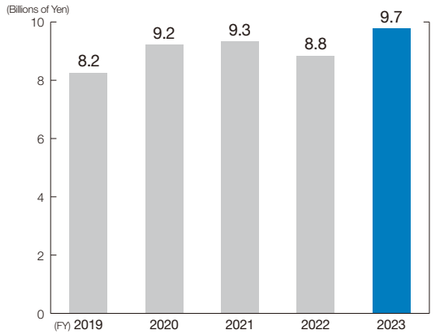
EMAL are employees that are locally hired in regions throughout Japan. As consumers from those regions, EMAL travel around to the local stores and speak with those in charge of each establishment in an effort to create fresh, attractive sales floors from the perspective of the customer. In addition to the strengths of the products themselves, creative sales floor layouts help improve sales for entire product categories at sales locations.

* EMAL: A term coined from the first letters of earth (E), merchandise (M), action (A), and lady (L). EMAL serve as specialists who create attractive sales floors and engage in in-store sales promotions from a customer perspective.

Household Products Business

Pet Products and Others

Others Sales*



* Includes internal sales

Note: Since 2022, application of the accounting standards for revenue recognition.

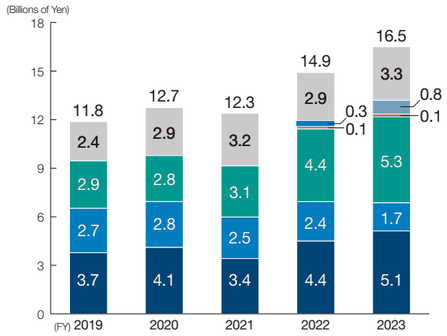
In addition to insecticides and repellents for pets, pet deodorants, and premium foods, Earth Pet also offers an extensive lineup of collars and toys. With the aim of ensuring enjoyable lifestyles with pets as valuable members of the household, Earth Pet communicates the importance of keeping pets healthy and ways of improving their QOL, while at the same time publicizing products. Earth Pet opened Earth Pet House, a pilot store that offers pet care information in an effort to develop into a new location for sharing information. In 2023, Earth Pet also opened Tokushima Pet Land, a hands-on research facility. As a research facility equipped with a petting zoo space, Tokushima Pet Land serves as a location to further deepen the understanding of pets and pet care products. Going forward, the facility will establish a unique standing as a core institution for product development, and for providing services and information.

● Market Conditions

Despite the fact that the pet boom has shown signs of winding down, pet-related markets, including those for pet care products like cat litter and premium foods, continue to hold firm given the growing awareness of pet health among pet owners.

Overseas Business

Overseas Sales*



* Includes internal sales

Note: Since 2022, application of the accounting standards for revenue recognition.

With the launch of this sector following our entry into Thailand in 1980, we have actively expanded business through local offices in Thailand, China, Vietnam, Malaysia, and the Philippines. Along with strengthening area strategies and promoting higher earnings and market share together with sales growth in Thailand and Vietnam, our goal is to expand sales channels in Malaysia and the Philippines. In China, we are revising our business strategies, and introducing products in a focused manner to retailers that operate physical stores. Moreover, we export products to roughly 50 countries and regions throughout the world, have built close partnerships with local distributors, and identified needs based on the different living habits and preferences of each country in an effort to enhance the presence of the Earth brand.

As the scale of overseas sales expands, we are establishing a production and supply network from the perspective of overall optimization in conjunction with the Mid-term Business Plan for each area. This move will serve to establish seamless product supply chains and greater profits.

We must also strengthen human assets for the shift to global expansion. We will therefore emphasize efforts to construct a system that allows employees to acquire experience in overseas markets at an early stage, and to secure human assets in a way that also includes local hiring.

● Initiatives

Earth Corporation sees China and ASEAN as its key targets, for which we are deploying initiatives along the two axes of aggressive expansion through local offices and the export business. Having already attained the second highest share of the insecticides and repellents market in Thailand, we aim to capture the highest share of this market in 2026. As far as exports are concerned, we are accelerating deployment to the Middle East centered on Saudi Arabia, Taiwan, and North America. Moreover, we are working to establish a unified global brand and strengthen marketing activities as a means of driving the global penetration of the Earth Brand.

● Thailand: Earth (Thailand) Co., Ltd.

Earth (Thailand) Co., Ltd. was established in 1980 as the first local office outside of Japan in the Earth Group. It has built a solid foundation with a community-based business model, broadly covering product development, manufacturing, sales, and logistics. The company has focused on developing the local insecticides and repellents brand OASIS and other products from the "customer's perspective." This local office is working as a unified team in an effort to capture the top share of an insecticides and repellents market outside of Japan for the first time. As it applies the knowledge acquired in Thailand to other countries, this office will play a role as a hub for our global strategy covering countries in Asia and the Middle East.

● China: Earth Corporation (Shanghai)

With the aim of expanding sales in China, where the market is exhibiting remarkable growth, Earth Corporation established this local office in 2015. Working with two factory operators in Tianjin and Suzhou, the company conducts sales activities mainly in four large cities: Beijing, Shanghai, Guangzhou, and Shenzhen. Through its major offerings including the ARS 安速 brand of insecticides and repellents, it is strengthening sales through physical retailers and working in cooperation with the team in Japan to reach potential customers via e-commerce channels. Similarly, it is engaged in activities with a view to promoting the brand in China.

● Vietnam: Earth Corporation Vietnam

Earth Corporation Vietnam was converted to a subsidiary in 2017 from a local office that manufactured and sold household supplies in Vietnam. Leveraging its sales network of 700 members across the country, it has established a seamless delivery system crisscrossing Vietnam, extending over the long distance from north to south, and succeeding where family businesses account for 70% of all retailers. With the mainstay detergent brand Gift as a foundation, the company is working to revitalize the insecticides and repellents market by promoting broad adoption of ARS. Earth Corporation Vietnam is actively investing into the plant, potentially making it a manufacturing site for ASEAN and Japan.

Countries with established local offices of Earth Corporation

● Malaysia: EARTH HOME PRODUCTS (MALAYSIA) SDN. BHD.

This local office was established in 2019. Due to its warm climate, Malaysia has a strong need for insecticides and repellents to handle the risk of mosquito-borne infectious diseases. And thanks to growing awareness around hygiene and increasing consumer demand coinciding with economic development, EARTH HOME PRODUCTS anticipates the country's growth as a market in which high-value-added products, the forte of Earth Corporation, will make headway.

● The Philippines: EARTH HOMECARE PRODUCTS (PHILLIPPINES), INC.

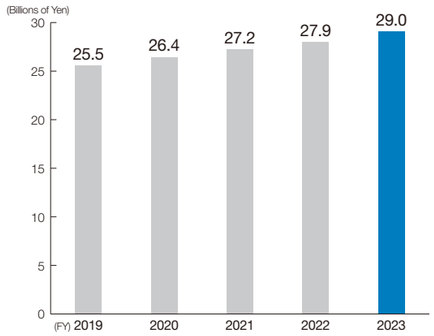
This local office began operations in 2022 under its current name following our acquisition of its predecessor company. As with other countries in Asia, the Philippines is a market that is expected grow into the future as evidenced by annual increases in the need for insecticides and repellents, and homecare products, and its remarkable population and high economic growth. The company creates synergies by collaborating with factories in Thailand and Vietnam established earlier.

A portion of the insecticides and repellents, and household products sold overseas

General Environment and Sanitation Business

As part of the general environment sanitation business provided by Earth Environmental Service, we support the quality assurance activities of our customer companies by providing services that prevent contamination, as well as maintain and improve the optimal hygienic environment, for the food, pharmaceuticals, healthcare, containers, packaging, logistics and warehousing industries, and other industries. In this manner, we contribute to the health and safe, secure lifestyles of people throughout various supply chains, including food, pharmaceuticals, and healthcare.

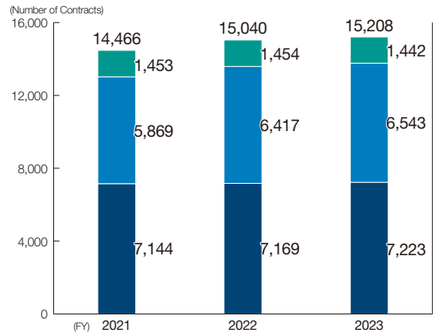
General Environment and Sanitation Sales*



* Includes internal sales

Note: Since 2022, application of the accounting standards for revenue recognition.

General Environment and Sanitation Trends in Annual Contract Numbers



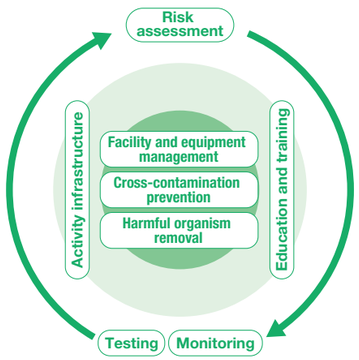
Note: Pest Control: pest and vermin control operations
Building Maintenance: Management of buildings including general cleaning operations

● What Is Integrated Environmental Hygiene Management?

The Integrated Environmental Hygiene Management Service: Total Health Care System is a support service for hygiene management offered by Earth Environmental Service. In combination with QMS, FSMS, PQS*, and various other management systems, this service consists of Eight Approaches based on technologies and expertise uniquely acquired by the Company. This service includes the three elements of a "field-oriented policy, scientific basis, reproducibility" as the foundation for continuously engaging in hygiene management in an effective manner, and provides support for integrated, systematic hygiene management that consists of a tailored-made combination of the Eight Approaches in a way that suits the demands and goals of the customer. Moreover, the ESCOEVO centralized information management system developed by the company rapidly analyzes, visualizes, and shares the massive amount of data required for hygiene management, including on-site diagnostic results and improvement status, to enhance the outcomes of improvement activities.

* QMS, FSMS, PQS: Quality Management System, Food Safety Management System, Pharmaceutical Quality System

Eight Approaches



● Support by Environmental Doctors

Environmental Doctors provide services based on the latest information regarding hygiene management and on their high-level of technical expertise. Staff that have acquired knowledge and skills through a proprietary education and training program, and who have built up extensive experience in various worksites, act as Environmental Doctors who diagnose the quality of hygiene management at worksites, identify problematic areas, prescribe improvement measures, and provide support for maintaining and improving the safety and security of environments while providing treatment and implementing preventative measures.

● Market Conditions

Revisions to relevant laws and regulations in Japan and the trend toward international harmonization of safety standards for food, pharmaceuticals, and healthcare, have led to a stronger demand for hygiene management than ever before. Specifically, there is a high level of demand for hygiene management countermeasures regarding contaminants, for example, in food-, pharmaceuticals-, and packaging-related industries, which are the Company's core customers. This situation has led to a consistently strong demand for the Company's high-quality hygiene management services that provide specialized knowledge, technology, and expertise.

The general environment and sanitation business underpins the generation of stable revenues for the Company given the consistency of the business' revenue base founded on annual contracts. In fiscal 2023, while performance was affected by a higher cost ratio and an increase in personnel expenses attributed to active investment in human resources, the number of annual contracts grew, boosting overall segment results. Accordingly, sales amounted to ¥29,073 million (+3.9% year on year) and segment income to ¥1,451 million (+1.5% year on year).

● Outcomes and Issues

The general environment and sanitation business has experienced annual growth in the number of contracts along with growth in demand, allowing it to build a foundation for consistently generating income. Moreover, we have made investments intended to enhance services for customers and improve operational efficiency, including R&D, human asset development, and services utilizing IoT, AI, and other digital technologies. These efforts are led by the Saito Research and Training Institute (T-CUBE) using a cell processing facility for education and training. We have also launched projects targeting new businesses, including entry into the agriculture field, and have formulated and assessed business plans.

Several issues that have been raised in this area include developing human assets that can provide consulting services as part of technology marketing, improving operational efficiency, and addressing human resource shortages at partner companies to which construction work is outsourced.

● Looking Ahead

As the company in charge of this business, Earth Environmental Service Co., Ltd., is currently studying a new Mid-term Business Plan for resolving the above issues. Similarly, it will work to build a system for providing higher quality services. With its management vision of perfecting the three pillars of technological capabilities, education, and expertise; providing training for services that support quality assurance by Environmental Doctors; deploying services to new fields and transitioning to a business foundation for sustainable growth, Earth Environmental Service will practice the Earth Group's Corporate Philosophy.

Saito Research and Training Institute (T-CUBE)

As the core facility for Earth Environmental Service R&D, testing and identification, and human resource development operations, Saito Research and Training Institute (T-CUBE) was established in Ibaraki City, Osaka, following the certification of the Kansai Innovation International Strategic Comprehensive Special Zone in 2016. Under the concept of interaction, combination, expansion, and limitless growth of various elements, it serves as a location for researchers from different industries to come together and drive innovation while utilizing a diverse range of networks between industry, academia, and government. In recent years, the Institute has played a central role in driving revolutionary innovations that contribute to the Earth Group and society as a whole. A few of these include the development of an AI-driven insect-capturing and analysis system; industrial application of the MA-T System®, which uses an oxidation control technology for sterilizing and deodorizing; and initiatives for talent development and scientific data collection in the field of regenerative medicine at the cell processing facility for education and training.

Participation in Nakanoshima Qross (The International Center for Future Medicine)
Initiatives for Early Practical Application and Industrialization of Future Medicine and Advanced Medical Care

Earth Environmental Service participates in the International Center for Future Medicine Nakanoshima Qross (Osaka City, Osaka) for the purpose of contributing to the health of humanity by driving innovations in future medicine and advanced medical care, and by working toward early practical application and industrialization.

Through collaborative initiatives with the cell processing facility for education and training, opened at the Saito Research and Training Institute (Ibaraki City, Osaka) for the purpose of teaching about hygiene management and environmental maintenance, Earth Environmental Service is working to create the foundation for broadly spreading throughout society innovative medical technologies and drug discoveries, including establishing supply chains, and is endeavoring to optimize environments that will take responsibility for future medicine.

Creating Workplaces that Support Activities by Diverse Individuals

Creating Workplaces that Support Activities by Diverse Individuals https://corp.earth.jp/en/sustainability/materiality-human-capital/index.html

Earth Corporation views employees as highly valuable sources of corporate development, and as such we see them as being "assets" rather than "resources." In the belief that workplaces where employees can grow and feel motivated are the very thing that leads to long-term value creation, based on our core Earth Value of "Diversity," the Earth Group is committed to "Building a workplace that empowers diverse talent who share the Earth Policy and Earth Value."

Materiality (Key Issues)	Key topics and main measures	KPI	FY2023 Results	FY2023 Evaluation
Creating workplaces that support activities by diverse individuals	• Support female empowerment by raising the share of women in management-level positions	• Female manager ratio: At least 30% (2030)	11.4%	○
	• Encourage employees to take annual paid leave entitlements	• Paid leave usage rate: Maintain at a level of at least 70% (2030)	84.9%	

* ○: In line with plans △: Presence of delay

Basic Approach and Human Asset Management

To clearly document the measures, we take with regard to our human assets to realize our management philosophy and business goals, we formulated Earth's human resources philosophy and Earth's human resources management policy based on our Human Rights Policy and Labor Practices Policy. Having extracted four human asset materiality issues from both long-term and short- to medium-term perspectives, we formulated a human asset strategy to serve as the pillar of our human asset management and are promoting the supply and dynamic engagement of the human assets required by companies and businesses.

Earth HR Philosophy

Growing together with employees
=Challenge to Grow=

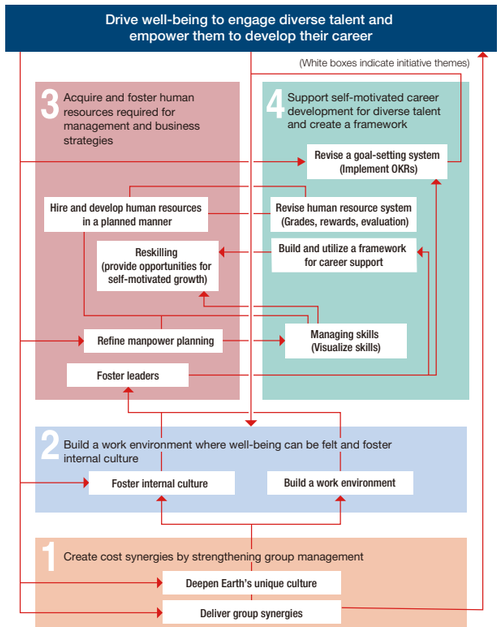
WE VALUE ALL OF OUR COLLEAGUES, AND TAKE ON CHALLENGES TOGETHER

Earth HR Policy

- Look for people who understand our corporate policy
- Foster people who can independently carry through on our group policy
- Provide people who are willing to take on challenges with meaningful work and opportunities
- Richly reward people who achieve results
- Create workplaces where people can work with peace of mind
- Achieve diverse workstyles

Human Resources Materiality

1. Create cost synergies by strengthening Group management
2. Build a work environment where well-being can be felt and foster internal culture
3. Acquire and foster talent required for management and business strategies
4. Support self-motivated career development for diverse talent and create a framework



Driving Human Capital Management

With the aim of achieving well-being that enables diverse human assets to develop their careers with a high level of engagement, the Company will realize three themes adopted in its Mid-term Business Plan dubbed Act For SMILE COMPASS 2026: Reduce fixed costs by the consolidation of various functions through initiatives addressing human asset materiality; pooling of human assets toward overseas expansion; and enhance oversight of overseas/Group companies.

Acquisition/Fostering of Diverse Human Assets and Support for Self-motivated Career Development

■ Human Asset Development Policy

In the belief that continuous individual growth is essential to achieving sustainable business growth, at Earth Corporation we expect all employees—regardless of their nationality, age or other personal details—to empathize with the Group's Earth Policy and Earth Value. At the same time, we support employees in developing their careers independently and endeavor to provide development opportunities that will enable them to take on challenges in a changing business environment.

■ Promotion of DE&I

Based on our shared Earth Value of "Diversity," we respect the human rights and diversity of our coworkers as well as their individual abilities and experiences while promoting the creation of motivating workplaces. We believe that diversity includes a variety of elements, such as gender, race, nationality, disability, age, sexual orientation/gender identity, religion/beliefs, values, career and experience, and work style.

■ Promoting Further Dynamic Engagement of Female Employees and Supporting Their Work-life Balance

Toward our target of having women account for 30% or more of employees in management-level positions in 2030, we are continuing to implement initiatives such as providing training to help management candidates plan their careers. Also focusing on measures designed to support work-life balance, we are endeavoring to create workplace environments that facilitate working even at times of change in women's lives. Having also encouraged employees to take childcare leave, in fiscal 2023 we achieved a 100% childcare leave uptake rate for both men and women.

■ Development and Pooling of Human Assets

With the aim of developing self-directed human assets, we systematically provide grade-specific training and training for specific purposes to motivate employees, help them develop their careers, and enhance their knowledge and capabilities. Going forward, we will place even more emphasis on accepting and developing global human assets, aiming not only to contribute to the business but also to the continued growth of talented individuals and to remain a company chosen by them as a place to work. To successfully "expand sales overseas," one of the three focused policies in our Mid-term Business Plan, we will systematically hire and develop personnel, refine our personnel planning, and pool human assets to expand our overseas business.

Scene from an English-language training session conducted through team learning

■ System to Encourage Taking on Challenges and Support for Career Development

When evaluating employees, we place great importance on communication between managers and members. By ensuring transparency in evaluations and clarifying the accountability of managers, we are creating a satisfying working environment that leads to support for employee growth. We have also been implementing an in-house recruitment system since 2019 with the aim of providing motivated employees with opportunities to take on new challenges, placing the right people in the right positions, and revitalizing the Company. Applications had been accepted in approximately 20 business units by the end of December 2023.

Building of Workplace Environments

■ Workplace Environment Improvement Policy

For each and every employee to fully utilize their unique strengths and be dynamically engaged/thrive, the Company recognizes that it is important for them to be healthy both physically and mentally. We are thus actively working to build workplace environments in which employees can thrive while feeling highly engaged and a sense of well-being.

■ Level of Employee Satisfaction

We have been conducting employee satisfaction surveys since 2020 to confirm the effectiveness of each measure and the status of our human assets and organization. The overall satisfaction level in 2023 (average score of overall satisfaction with current job, workplace, supervisor, and company) was 3.38/5 (3.48 in 2022), confirming that while there are employees who are highly satisfied, there are also employees who are not with some survey items. Going forward, we will conduct engagement surveys and enhance measures to improve employee motivation to increase the number of highly motivated employees.

■ Promotion of Health Management®

Based on our awareness of employee health as an important management theme, we established an Earth Health Declaration as a message from our President & Representative Director in 2019. In the belief that a company has no future if its employees are not healthy, and to ensure that employees and their families can stay healthy for as long as possible, we organized a Committee for Promoting the Health of Employees and Their Family Members, a cross-departmental team headed by a senior executive officer, to promote health management in a specific manner and carry out practical work. Each initiative is implemented based on a strategy map and KPI verification. Having supplied information on, for example, a variety of health seminars and hygiene lectures, provided opportunities for exercise, and encouraged employees to quit smoking and take paid leave (with a goal of maintaining a 70% or higher paid leave rate by 2030), these activities have been recognized, and the Company has been a Certified Health & Productivity Management Outstanding Organization (White 500) for four consecutive years since 2021.

Providing Products and Services that Contribute to Safe and Comfortable Living

Providing Products and Services that Contribute to Safe and Comfortable Living https://corp.earth.jp/en/sustainability/materiality-safety-security-quality/index.html

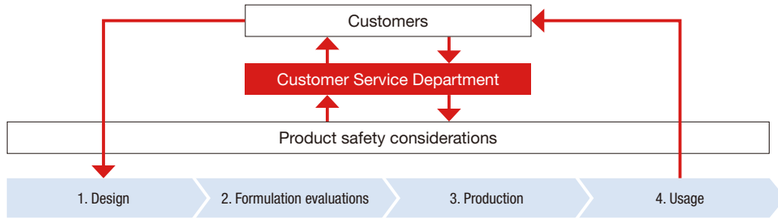
For Earth Corporation, our most important responsibility to society is to continue providing high-quality, safe and reliable products and services from our customers' perspectives. We recognize that the steady fulfillment of this social responsibility is a precondition for safeguarding and enhancing corporate value, and constitutes the foundation for our creation of corporate value.

Materiality (Key Issues)	Key topics and main measures	KPI	FY2023 Results	FY2023 Evaluation
Providing products and services that contribute to safe and comfortable living	• Reduce the number of major quality incidents that negatively impact customer satisfaction and trust to zero by raising the periodic quality inspection implementation rate both at own plants and at contractors' factories	**Periodic quality inspection implementation rate:** Maintain at 100% (2023, 2026, and 2030)	100%	○
	• Ensure compliance with relevant laws and reduce the incidence of major violations to zero by enhancing the implementation rate for the annual education and training plan.	**Education and training implementation rate:** Maintain at 100% (2023, 2026, and 2030)	100%	○

* ○: In line with plans △: Presence of delay

Basic Approach and Promotion Framework

At Earth Corporation, we guarantee quality from our customers' perspectives to improve customer satisfaction and maintain their trust. Besides maintaining compliance with all legal requirements, to provide safe and secure products and services we gather information on quality from each country and region based on Earth Corporation's unique Quality Management System and strive to enhance the quality of our products. In line with our corporate philosophy, we at the Earth Group strive, in every stage of the value chain—including product development, materials procurement, production, logistics, sales, and customer communication—to provide customers with safe, reliable products and services.



1. Design

By assuming the actual conditions under which our products will be used by our customers and independently measuring concentrations in the air, we are able to design products that use the right ingredients in exactly the right amounts to ensure efficacy and safety.

2. Formulation evaluations

We conduct many types of toxicity tests to ensure safety. We also comply with various laws*, such as the Pharmaceutical and Medical Devices Act and the Poisonous and Deleterious Substances Control Law .

3. Production

We set process standards based on design quality. Conducting tests against those standards, we guarantee safety and quality by shipping only products that have met those standards.

4. Usage

We pay special attention to safety by providing easily understandable product descriptions and features to prevent misuse. We also build in design features to prevent product misuse by children in the home.

* Pharmaceutical and Medical Devices Act (formerly the Pharmaceutical Affairs Act), Poisonous and Deleterious Substances Control Act, Chemical Substances Control Law, Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (PRTR Act), High Pressure Gas Safety Act, etc.

Earth Corporation R&D

■ R&D Policy

At Earth Corporation, we place importance on customers' perspectives and conduct research on and the development of useful technologies and materials with a focus on for whom and on how they will be used. Discovering problems and dissatisfactions in daily life that our customers themselves may not even be aware of, we will continue to bring about changes in their lifestyles through our innovative products and create products that are of benefit to society.

Customer insights sent from the Customer Service Department provide valuable clues for development and improvements. The relevant departments are promoting the widespread use of a text mining system so that they can research and utilize those insights from their own departmental perspectives.

■ Joint Development Initiatives

With the aim of combatting pests, Earth Corporation conducts R&D in collaboration with each of its companies. Aiming to create products with added functionality, the Company applies the technologies cultivated thus far in aiming to work together with various companies to create a better environment and more effective products.

■ Policy regarding Intellectual Property

We endeavor to secure a competitive advantage by proactively obtaining the rights for the findings obtained through our R&D. Also working to maintain and utilize rights such as patents and designs that are beneficial to our Company, in fiscal 2023 we had 44 patent registrations.

Number of patent registrations (2019-2023)

Registration fiscal year	2019	2020	2021	2022	2023
Number of registrations	23	33	34	46	44

* Registration date of record, Japan only

Quality Assurance System

We conduct tests in accordance with legally required test items and product functions. With regard to the simultaneous handling of large quantities of test samples with organic solvents and reagents, we are aiming to automate the processing work to ensure the reliability of testing, work efficiency, and the safety of testing personnel.

As far as plant hygiene management is concerned, we implement insect and rodent control measures utilizing Group company Earth Environmental Service know-how. In addition to precautions that include the wearing of net hats, the use of adhesive sheets, and changing into clothing appropriate for each location, use is made of visual inspections, camera inspection systems, metal detectors and other means to check for foreign objects on production lines.

We are also redoubling our efforts to improve quality by having plants and quality assurance departments work together through, for example, quality control (QC) study sessions and quality audit report meetings.

Contributing to Society through Collaborations with Local Communities

■ Promotion of Insect-borne Infectious Disease Prevention

Due to the globalization of logistics and the movement of people, the risk of infectious diseases from tropical regions spreading worldwide is growing. We are proactively utilizing our knowledge, technologies, and products to prevent insect-borne infectious diseases, such as malaria and dengue fever, which are global health and hygiene issues.

■ Comprehensive Alliance Agreements and Use of Phase-free Products

Having signed a total of 17 collaborative agreements, including with 11 prefectures, two special wards, and four cities (as of April 1, 2024), we provide local governments with know-how on, for example, insect-borne infectious disease countermeasures, oral hygiene, sterilization and deodorization, as well as the latest technologies, to help them resolve local issues. Through the lending of our support to those affected at times of disaster by the supply of Company-developed, phase-free products that can be safely used even at such times, we work to resolve social issues and contribute to the sustainable and healthy development of people and society in individual regions.

■ Provision of Insects to Educational Institutions

By providing the more than 100 species of insects raised in our research departments as teaching materials to research institutions and school educational programs, we contribute to the advancement of science and the development of human assets. Every year, we provide a large number of insects, mainly sanitary insect pests such as the smokybrown cockroach, the German cockroach, and the Asian tiger mosquito, to university laboratories, junior high and high school biology departments for multipurpose use, including research, experiments, classes, exhibitions, and photography. In fiscal 2023, we transferred 5,123 insects to 23 institutions.

Voice Employee Comment

Using customer feedback in quality improvements

The Customer Service Department serves as the point of contact for engagement with end-user customers. Of the approximately 90,000 inquiries we receive each year, about 65% are about insects. This department undertakes the internal dissemination of the problems we hear directly from customers in the form of customer feedback sections in annual and monthly reports and via our internal website. Through our interactions with customers, we often become aware of product usability issues, and at meetings such as the Customer Insights Discussion Meeting* liaise directly with the relevant departments to propose and implement improvement plans. Recently, to assist management in understanding how difficult it was to use the Gokiburi Hoi Hoi cockroach trap, our department approached them and had them actually assemble one, which prompted the decision to redesign the product.

One customer insight sent out by our department leads to employees at a wide range of levels becoming more aware of "customers' perspectives," thereby making significant contributions toward "creating a market with customers."

Nobuko Kawahito
Assistant General Manager, Customer Service Department

* This is a meeting attended by senior managers, the holding of which is recommended by the Association of Consumer Affairs Professionals.

Special Feature Evolving Into a Total Care Company for Infectious Diseases by Promoting Business for the MA-T System®, an Innovative Oxidation Control Technology Developed in Japan

Earth Corporation aspires to a total care company for infectious diseases with the ability to provide better solutions. Leveraging our experience and knowledge, we aim to contribute to the fight against infectious diseases, which have become an urgent problem across the globe, by promoting the widespread use of the MA-T System®, an innovative technology developed in Japan.

The MA-T System® and Its Wide Range of Anticipated Applications

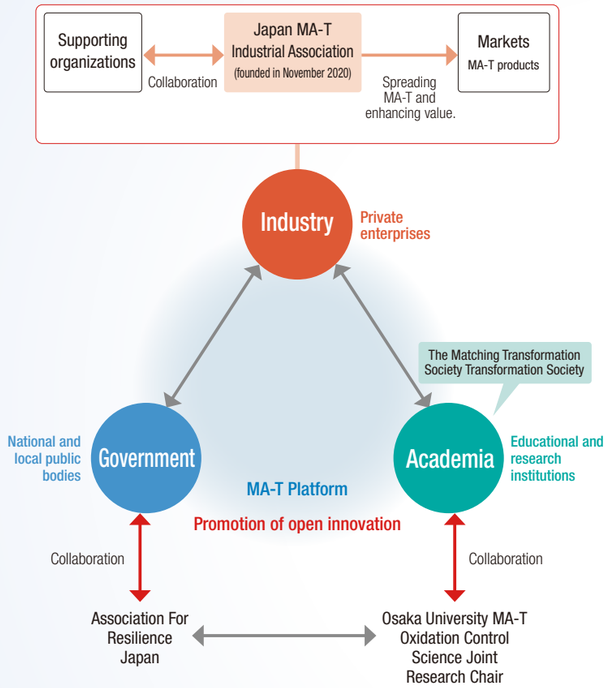
■ What is the MA-T System®?

Standing for Matching Transformation System®, the MA-T System® is an oxidation control system based on an innovative technology developed in Japan. Controlling the strength of activation allows this technology to be applied to a wide range of applications, including neutralizing viruses and sterilizing various types of bacteria. Moreover, by controlling the degree of activation, we anticipate its broad application in areas ranging from pioneering extremely difficult chemical reactions to providing advanced functionalization to polymers, application to devices, and use with agricultural chemicals and pharmaceuticals. The mission of Earth Corporation as we see it is to enhance the level of credibility society places on the MA-T System®, and to broadly communicate its means of functioning to society.

■ Activities of the Japan MA-T Industrial Association

The Japan MA-T Industrial Association serves as an open innovation platform with the aim of exploring the economic benefits of creating an industry from the MA-T System®, as well as its potential for solving the challenges faced by society. The participating members of the Japan MA-T Industrial Association include 104 enterprises, several of which are leading companies in their respective fields, and 12 endorsing organizations (as of the end of March 2024). Leveraging our experience and knowledge in activities around the world intended to spread a proper understanding of insecticides, as well to reduce the number of people infected by insect-borne infectious diseases, Earth Corporation is striving to strengthen the credibility society places on the MA-T System® through the activities of this Association. Similarly, we are contributing through these activities to the fight against infectious diseases as an urgent global-scale issue.

Industry-Government-Academia collaborative structure



Future initiatives for utilizing the MA-T System®

The MA-T System® offers various potential applications depending on the difference in activation level, and is therefore expected to find use in various fields, ranging from infection control to energy. Currently, applications in the field of infection control are leading the way, where Earth Corporation has developed and sells the Aqua Create Deo disinfectant and deodorant, as well as the MA-T Mouth Clean Gel and N.act Oral Removal Gel oral care products, all of which utilize the MA-T System®. The MA-T System® relies on the reaction of aqueous radicals that are in a nearly complete aqueous state. Only reacting the required amount at the required time, this system functions to attack and decompose viruses and bacteria by changing their form only when they exist. Achieving both safety and high effectiveness is the greatest feature of the MA-T System®, where products that utilize this mechanism have already been employed by domestic airlines, hospitals, dentists, nursing homes, local governments, professional baseball teams, theaters, theme parks, hotels, and golf courses, for example.

Moreover, the MA-T System® holds the potential for developing anti-cancer drugs and various other pharmaceuticals, where HOIST Co., Ltd., a venture company launched by Osaka University, aims to use the system in exploring a treatment for bladder cancer. In the field of surface oxidation, the system's use and application is anticipated in a broad scope of industries, including the electronics, drug discovery, and the life sciences industries. The MA-T System® has been proven to exhibit a greater level of activation when combined with light, and the Osaka University MA-T Oxidation Control Science Joint Research Chair is currently engaged in initiatives using this effect. In the energy field, the MA-T System® has been successfully employed to synthesize methanol from air and methane. Given that this reaction does not generate any CO_2, efforts are underway to commercialize the concept at the earliest possible time with the goal of realizing a post-carbon society. As the holder of the basic patents involved in the MA-T System®, Earth Corporation is advancing open innovation initiatives with a wide range of industries and companies towards its real-world application.

For details, please see the Japan MA-T Industrial Association website.
https://matjapan.jp/en/

TOPICS Winner of the Prime Minister's Award at the Cabinet Office's 6th Japan Open Innovation Prize

During the 6th Japan Open Innovation Prize organized by the Cabinet Office, Earth Corporation received the Prime Minister's Award for the MA-T System® initiatives we are advancing in concert with the Japan MA-T Industrial Association, Osaka University, and others. Specifically, we received this award in recognition of our efforts to promote open innovation and industry-academia collaboration through the MA-T System® oxidation control technology, for which broad real-world application is anticipated. Playing a leading role in this effort, Earth Corporation is promoting efforts to construct a license platform together with the Japan MA-T Industrial Association in aims of facilitating the system's real-world application and commercialization.

Group photograph of the award winners during the award ceremony held on February 14, 2024. The winners included Katsunori Kawabata, Earth Corporation Representative Director, President & CEO (front row, third from left) and Sanae Takaichi, Member of Japan's House of Representatives and Cabinet Office Minister of State for Special Missions (front row, fourth from left)

Applications for the MA-T System® based on differences in activation level

Enabling a wide range of applications through the control of activation strength

Infection control	Food hygiene	Healthcare/Life Sciences	Agriculture/Forestry	Surface oxidation	Energy
On-demand aqueous chlorine dioxide solution (aqueous radicals)	Disinfecting food / tableware Hygiene management at food factories	Anticancer agents, treatment for infective dermatitis, CryoEM	Sterilizing spore-forming bacteria Disinfecting seeds	Modifying / adding functions (hydrophilic treatment, adhesion) to macromolecule surface	Generating methanol and formic acid from methane

Strength of activation controlled: Weak → Strong

Responding to Climate Change

Responding to Climate Change https://corp.earth.jp/jp/sustainability/materiality-climate-change/index.html

Mitigating and adapting to climate change, the most serious environmental problem worldwide, could have a medium- to long-term impact on the continuation and expansion of the Company's business as well as on its overall value chain. We recognize that the addressing of increases in average temperatures and the intensification of extreme weather events due to climate change is a management issue that will affect our corporate value over the medium to long term.

Materiality (Key Issues)	Key topics and main measures	KPI	FY2023 Results	FY2023 Evaluation
Responding to climate change	• Reduce CO_2 emissions	**Reduce CO_2 emissions:** Compared to 2020 (Scope 1, 2) • 14% reduction (2023) • 28% reduction (2026) • 46% reduction (2030)	29.8% reduction	○
	• Promote a transition to renewable energy for electric power	**Transition to renewable energy:** • Renewable energy at plants (renewable energy rate: 60%) (2023) • Renewable energy at R&D Center (renewable energy rate: 90%) (2026) • Renewable energy at offices* (renewable energy rate: 95%) (2030)	Complete the transition to renewable energy at plants (renewable energy rate: 56.3%)	○(△)

* Excluding tenant offices

* ○: In line with plans △: Presence of delay

Basic Approach and Promotion Framework

As an enterprise whose corporate philosophy is "We act to live in harmony with the Earth," we carry out our business activities in accordance with the global environment. The Representative Director, President & CEO serves as the chairperson of the CSR and Sustainability Committee, bearing direct responsibility for aspects that include the creation of policies and strategies for responding to climate change as well as managing and supervising progress. The content of the Committee's discussions and the status of its activities are reported on regularly to senior management, and important matters requiring examination and decision-making by senior management are reported to and discussed by the Board of Directors.

Third-party Verification

We understand how important it is to calculate greenhouse gas (GHG) emissions across the entire supply chain for the Earth Group to work toward achieving carbon neutrality in society. In fiscal 2023, we visualized GHG emissions (Scopes 1, 2, and 3) for the entire Earth Group and also had third-party verification performed to ensure accuracy. Going forward, we will increase our response to climate change, calculate our carbon footprint, disclose the Earth Group's GHG emissions and take measures to reduce those emissions.

Information Disclosure Based on TCFD Recommendations

Climate change represents a risk for Earth Corporation but at the same time is also an important management issue that could lead to new profit opportunities. Believing that constructively and actively addressing climate change will lead to increased corporate value over the medium to long term, we aim to work appropriately with stakeholders to benefit not only our Company but society as a whole. Having recognized the importance of disclosing financial information relating to climate change, we expressed our support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in 2022 and are disclosing climate change-related information in line with the TCFD framework.

Governance

The Representative Director, President & CEO reports important climate change-related issues to the Board of Directors, which takes climate change-related issues into consideration when reviewing and issuing instructions on the Company's strategies, business plans, risk management policies, etc., after having consulted with the Corporate Governance Committee. The Representative Director, President & CEO also reports to the Board of Directors on the progress of indicators and targets for addressing climate change-related matters, enabling the Board of Directors to exercise appropriate oversight.

Strategy

Having analyzed both the 1.5°C scenario in which progress is being made with efforts toward decarbonization, and the current (4°C) scenario in which society continues to progress as is, we conducted assessments of the business impact in 2030. With regard to the opportunities and risks extracted by means of the scenario analyses, we determined the financial impact, risk countermeasures, measures to realize opportunities, and direction of action.

Risks and opportunities, financial impact (major factors that could have a "significant" level of impact on our business and responses)

Category	Scenario	Content	Indicator	Period of impact	Responses
Opportunity	4°C	**Rising temperatures** Increased demand for insecticides, the Company's main business, and an expansion in market size associated with longer sales periods.	Sales increase	Short term / Medium term / Long term	**Insecticides and Repellants** (Activities) • Establish an appropriate inventory management system that reduces lost sales opportunities and improves capital efficiency • Advance development of new suppliers both domestically and internationally to ensure stable procurement of raw materials and packaging materials, establish multiple purchasing system **MA-T System®-applicable products** • In Japan, promote social implementation while working to raise brand and product recognition in the sterilization market
		Rising temperatures If an infectious disease caused by an increase in germs or bacteria becomes serious in an area where public health is not well maintained, products using our MA-T System® technology can be effective in eliminating the risk of infectious diseases.	Sales increase	Short term / Medium term / Long term	
	1.5°C	**Consumer awareness of decarbonization** As our products become more widely recognized as an environmentally friendly and sustainable brand, our brand value will increase and sales will grow.	Sales increase	Short term / Medium term / Long term	**Through the following activities, increase of our brand value as an environmentally friendly and sustainable company** (Activities) • Support the circular economy • Accelerate procurement of sustainable plant-based and other raw materials • Transition to reusable or recyclable containers to reduce CO_2 emissions • Promote initiatives designed to reduce water footprint **Plastics** • Reduce the amount of plastic used per product, such as containers and packaging materials • Consider recycling plastics such as product bottles as part of supply chain initiatives
Risk		**Palm oil supply and demand balance** Increased cost of sales due to rising prices of palm oil-derived raw materials and supply shortages of our products due to raw material shortages.	Sales decrease Cost increase	Short term / Medium term / Long term	• To ensure stable procurement of palm oil-derived raw materials, implement planned purchases of raw materials where supply and demand are expected to be tight and advance the development of suppliers both domestically and internationally while adopting a multiple purchasing system • Examine R&D and formula changes to reduce the amount of palm oil-derived raw materials used and to find alternative raw materials that meet quality standards

(Our assumptions for scenario analysis) Subject of analysis: Earth Corporation, non-consolidated
Scope of analysis: Entire supply chain, including raw material procurement
Time periods: Short term = 1 year (same period as single-year plan); Medium term = 3 years (same period as medium-term management plan); Long term = 2030 (same period as in Japan's medium-term NDC target)

For more details, please visit our corporate website to learn more about our scenario analysis. (Only available in Japanese)
https://corp.earth.jp/jp/sustainability/materiality-climate-change/tcfd/index.html

Risk Management

In formulating response methods and priorities for identified climate change-related risks and opportunities, the CSR & Sustainability Promotion Department works with the relevant departments to consider responses such as mitigation, transfer, acceptance, and control. The results of this review are then reported by the Corporate Planning Headquarters to the Representative Director, President & CEO, who then makes the final decision at a Board of Directors' meeting.

Indicators and Targets

To reduce greenhouse gas emissions, we have set the following targets for CO_2 emissions and renewable energy ratios for 2030.

Indicators and targets

	Indicator	Target	Target Year
Target 1	Scope 1 and 2 emissions (from energy-related sources)	Compared with FY2020: 46% decrease	2030
Target 2	Renewable energy ratio	95% of total electricity usage	2030

Concern for Issues Affecting the Global Environment

Concern for Issues Affecting the Global Environment https://corp.earth.jp/en/sustainability/materiality-environmental-issue/index.html

Global environmental pollution and the lack of resources are barriers to the formation of sustainable Earth Corporation businesses. For Earth Corporation, attention to environmental issues throughout the entire value chain is directly tied to the sustainability of the Company's business. We are aware that our initiatives aimed at effectively using resources and reducing waste not only mitigate business risks by reducing environmental impact at every stage, from raw material procurement to product design and manufacture, use and disposal; they also contribute to maintaining and improving the Company's brand and corporate value and creating a resource-circulating society.

Materiality (Key Issues)	Key topics and main measures	KPI	FY2023 Results	FY2023 Evaluation
Attention to global environmental problems	• Increase the efficiency of water usage in relation to production (from R&D to production)	**Increase water usage efficiency:** Compared to 2020 • 3% increase (2023) • 6% increase (2026) • 10% increase (2030)	Increased water usage efficiency 3%	○
	• Use resources effectively, striving for a recycling-oriented society	**Zero emission of industrial waste and other materials from plants and R&D Center:** Compared to 2020 • Investigate and review status at waste treatment subcontractors (2023) • Zero emissions at plants and R&D Center (2026) • Continue zero emissions at plants and R&D Center (2030)	Conducted investigations and reviews Final disposal rate: 1.1%	○
	• Stipulate Earth ECO Standards, and expand the scope of environment-friendly products	• Establish Earth ECO Standards (2023) • Expand the scope of products compatible with Earth ECO standards and promote information disclosure (2026 and 2030)	Established Earth ECO Standards	○

* ○: In line with plans △: Presence of delay

Basic Approach and Promotion Framework

In order to demonstrate concern for global environmental issues and contribute toward reducing the impact on the environment in all its business activities, Earth Corporation practices the reduction, recycling, and effective use of water and other resources, stipulates Earth ECO standards, and expands the scope of environment-friendly products.

In line with Earth Corporation Basic Environmental Policy and in order to reduce environmental impact and create a resource-circulating society, Earth Corporation strives, in every stage of the value chain—including product development, materials procurement, production, logistics, and sales— to prevent global warming, conserve resources, reduce waste, and reduce and properly manage chemical substances. In addition, all of our domestic worksites are certified under Eco-Action 21, an environmental management system formulated by Japan's Ministry of the Environment.

Reduce Environmental Impact throughout the Value Chain

■ Cross-team Project Teams Research Environmentally Friendly Materials

In Research Laboratories, members of various research teams such as insecticides and repellents, bath salts, oral hygiene, and overseas products have come together to form a project team on environmentally conscious packaging materials. We actively share information and develop new products by gathering information on environmentally conscious packaging materials and evaluating prototypes.

■ Environmentally Friendly Product Development

Earth Corporation is committed to product development from the perspective of the 3Rs—reduce, reuse, and recycle—with an awareness of the need to reduce environmental impact throughout the life cycle of its products. To date, the use of plastic in containers has been reduced for 90 items through ingenious container shapes for a total reduction of approximately 346 tons in 2023. We also promote the development of refillable products and the use of recycled plastic and paper.

Example product

Sukki-ri! Air Freshener for Toilet

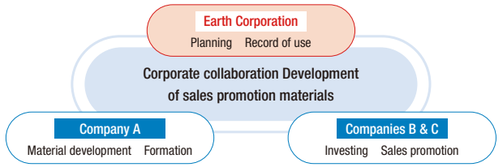
■ Formulating Earth ECO Standards

With the aim of establishing measures that help to create a sustainable environment, we have formulated the Earth ECO Standards, our own unique environmental standards to promote the creation of environmentally friendly products. The Earth ECO Standards are designed to help achieve the six goals out of 17 SDGs that relate to the environment or manufacturing. Products that conform to the Earth ECO Standards bear the Act For ECO Mark, indicating that they are environmentally friendly.

Earth ECO Standards https://corp.earth.jp/en/sustainability/materiality-environmental-issue/eco/index.html

■ Sustainable Sales Promotion Materials Developed through Collaboration with Other Companies

We are making efforts to reduce the amount of plastic used in hanger display hooks, which are used to hang merchandise. Enhancing paper hook strength is an issue, while reducing the amount of plastic and maintaining strength is a challenge. We work with a company (Company A) that has developed the "free blend method," a technology for developing plastic hooks made with 51% scallop shell powder. We also work with two other partners (Company B and C) that support us in marketing these products to a broader audience. Through collaboration, we have been able to launch a new type of strong, environmentally friendly hook made from scallop shell powder. We believe that by having other companies also using environmentally friendly material, we can create a ripple effect leading to society-wide efforts to reduce plastic usage volume, conserve resources, utilize resources efficiently, sort and reduce waste, and improve transportation efficiency.



Reduction of water usage and recycling

We use water as a raw material for our Mondahmin Mouthwash, Sukki-ri! Air Freshener, and other products. We also use water for cleaning equipment during product changeovers on many production lines. A thorough cleaning of the production line during a product changeover is essential for sanitizing equipment and preventing cross-contamination, but we are working to reduce water consumption through ongoing research and improvement efforts. We are also taking measures to increase water usage efficiency through air jet cleaning and reducing the number of washing cycles by optimizing our production schedule to reduce the number of equipment washings.

■ Wastewater Purification

Wastewater generated at our main production bases, the Ako Plant and Sakoshi Plant, as well as at our adjacent research facilities, is purified at our on-site wastewater treatment facilities and discharged into the sea. Before discharging the treated wastewater, we strive to reduce the environmental impact by setting voluntary standards that are even stricter than those required by law, and adhering to those standards. We periodically report to Ako City, where our main facilities are located, on the amount and water quality of the released effluent.

Water usage volumes by water source

Facility name	Target range	Unit	FY2019	FY2020	FY2021	FY2022	FY2023
Clean water	Plant, Research Facilities, Head Office	1,000 m^3	93.2	103.4	97.5	101.6	98.0
Ground water	Plant, Research Facilities, Head Office	1,000 m^3	0.0	0.0	0.0	0.0	0.0
Industrial water	Plant, Research Facilities, Head Office	1,000 m^3	0.0	0.0	0.0	0.0	0.0
Total	Plant, Research Facilities, Head Office	1,000 m^3	93.2	103.4	97.5	101.6	98.0

Biodiversity

Earth Corporation formulated its biodiversity policy in November 2023 and recognizes that biodiversity is an important managerial issue and that preserving biodiversity is vital to the long-term interests of the planet, society as a whole, as well as our Company. To prevent the loss of biodiversity, we are committed to implementing various initiatives together with our stakeholders based on our management philosophy. We will strive to protect biodiversity and promote the sustainable use of nature throughout our Company and our supply chain, while protecting the natural environment, dealing with non-native species and conserving insect species.

■ Endorsing the TNFD Recommendations

We endorse the concept of Taskforce on Nature-related Financial Disclosures (TNFD) and have participated in the TNFD Forum. The TNFD Forum is an international organization that shares and supports the vision and mission of the TNFD, creating a framework for assessing and disclosing risks and opportunities in natural capital and biodiversity. By participating in the TNFD Forum, we will contribute to the conservation of biodiversity, which is a global issue.

■ Participating Organizations

The Third National Biodiversity Strategy of Japan calls for corporate participation. We have joined related initiatives as a company that actively works to protect biodiversity, contributing to biodiversity conservation in Japan and abroad.

TNFD Forum

Water Project

30 by 30 Alliance

For more details on biodiversity conservation, please visit the Earth Corporation website. (Only available in Japanese)
https://corp.earth.jp/jp/sustainability/environment/biodiversity/index.html

Promoting Sustainable Procurement

Promoting Sustainable Procurement https://corp.earth.jp/en/sustainability/materiality-procurement/index.html

Earth Corporation believes that building partnerships with all of its business partners, maintaining ethical relationships that are fair and equitable, and promoting procurement that takes into account human rights, health and safety, and the environment, will not only lead to corporate value creation for the Company, but also contribute toward the sustainable development of society as a whole. By collaborating with our business partners, we will put sustainable procurement into practice.

Materiality (Key Issues)	Key topics and main measures	KPI	FY2023 Results	FY2023 Evaluation
Promoting sustainable procurement	• Promote procurement of environment-friendly packaging materials	**Forest certified paper usage rate (by weight):** • Usage rate: 10% or more (2023) • Usage rate: 30% or more (2026) • Usage rate: 70% or more (2030)	11.45%	○

* ○: In line with plans △: Presence of delay

Basic Approach and Promotion Framework

Together with its business partners, Earth Corporation is committed to sustainable procurement under the Earth Group Global Code of Conduct with the aim of contributing to the sustainable development of society as a whole. In response to recent trends regarding CSR and calls from international society, the Earth CSR Procurement Guidelines, established in 2017, were amended in August 2020 and subsequently renamed as the Sustainable Procurement Guidelines. In August 2023, we established a Supplier Code of Conduct and reached out to all of our suppliers with a request to abide by the new code.

A request to suppliers (Only available in Japanese)
https://corp.earth.jp/jp/sustainability/society/supply_chain/pdf/code.pdf

Procurement Policies

- Earth Corporation promotes procurement with attention to human rights, safety and health, and the environment while maintaining fair, equitable, and ethical relationships with all of its business partners.
- Earth Corporation builds partnerships based on trust with its business partners, and strives to achieve mutual and continuous growth while coexisting with society.

Sustainable Procurement Guidelines

- Purchasing: Compliance with Laws, Regulations and Norms We are committed to complying with domestic and international laws and regulations, international treaties and social norms, and to conducting procurement activities based on corporate ethics.
- Purchasing: Product Safety and Quality We are committed to purchasing raw materials that fulfill our quality requirements to ensure product safety and quality.
- Purchasing: Fair Trade We are committed to providing an equal opportunity to all of our business partners and to ensuring fair and impartial procurement practices.
- Information Security We are committed to strictly managing confidential and personal information related to our procurement activities.
- Sustainability Initiatives We are committed to working with our business partners to protect human rights (including prohibiting discrimination and eliminating long working hours) and promote occupational health and safety and environmental conservation.
- Building Trust with Clients We are committed to building relationships of trust with our clients, aiming for mutual growth through sustainable initiatives.

Human Rights Initiatives

Support for the United Nations Global Compact

Earth Corporation became a signatory to the United Nations Global Compact (UNGC) in May 2021 and was registered as a participating company. By having each company and organization demonstrate responsible and creative leadership, the UNGC serves as a global framework for acting as a good member of society and achieving sustainable growth. Supporting the 10 principles across four areas (human rights, labor, environment, anti-corruption) stipulated by the UNGC, the Company is continuing its efforts toward their fulfillment.

Human Rights Policy

To respect basic human rights and promote related efforts, we established the Earth Group Human Rights Policy in December 2023. Respect for human rights is essential in conducting business activities and is a responsibility that all companies must fulfill. We will strive to ensure that this is a code of conduct to which all executives and employees must adhere. To reduce human rights risks for all people involved in our business activities, including in our supply chain, we will continue to promote efforts to respect human rights based on the United Nations Guiding Principles on Business and Human Rights. Furthermore, by acting in accordance with the Earth Group Global Code of Conduct, we will fulfill our responsibility to respect human rights by ensuring that we do not commit any human rights violations ourselves or contribute to human rights violations by our stakeholders that may arise in the course of our business activities.

In the years to come, we will strive to formulate and implement effective processes, such as human rights due diligence, to identify, assess, prevent, and mitigate any adverse human rights impacts, including potential impacts, that may arise in the course of our business activities.

Earth Group Human Rights Policy (Only available in Japanese)
https://corp.earth.jp/jp/sustainability/materiality-human-capital/pdf/human_rights_policy.pdf

Building a Robust Value Chain

To continually provide high-quality products and services to our customers, it is essential to work in close collaboration with the various business partners involved in the value chain. Building partnerships based on relationships of trust with our business partners, Earth Corporation establishes value chains that give consideration to the environment and society while achieving sustainable mutual growth by providing safe, reliable products and services.

Ensuring Stable Logistics

As a response to social issues that include a shortage of truck drivers and reduced transportation capacity due to what is known as the 2024 logistics problem, we are participating in Group company Otsuka Warehouse Co., Ltd.'s common platform that has been designed to streamline logistics. We are achieving stable operations by warehouse, vehicle, and driver commonality, reducing inconsistencies, in terms of in delivery times and weights by combining compatible products, and making more efficient use of vehicle loading and warehouse storage space, and driver personnel.

Value Chain

Awareness-raising Activities for Business Partners

So that they re-evaluate the status of and continually improve and enhance their own efforts, we ask our business partners to complete a CSR Self-assessment Questionnaire. This activity has been implemented since 2017, and as of December 2023, we had received completed questionnaires from 182 out of 202 raw materials producers and contracted manufacturers.

Based on the results and collated responses to the CSR Self-assessment Questionnaire, we share the results with business partners through individual meetings, etc., in line with our belief that we need to contribute toward the sustainable development of society as a whole. Going forward, in addition to continuing to implement this activity with respect to new business partners, with regard to indirect transactions, we will carry out raw materials procurement in accordance with the key points of our guidelines.

Collated Results of Responses to the CSR Self-assessment Questionnaire (As of December 2023)

Item	Grading Distribution				
	A (100-80 points)	B (79-60 points)	C (59-40 points)	D (39-20 points)	E (19-0 points)
Corporate governance	59%	24%	11%	6%	0%
Human rights	53%	25%	13%	10%	0%
Labor	73%	17%	7%	3%	0%
Environment	66%	17%	9%	8%	1%
Fair corporate activities	60%	23%	11%	5%	0%
Quality and safety	78%	16%	3%	3%	0%
Information security	71%	19%	7%	3%	0%
Supply chain	45%	32%	11%	11%	0%
Regional society	58%	25%	9%	7%	1%

Environment-friendly Procurement

We develop and procure products, including containers and packaging materials, that show consideration for the external environment and conserve resources. In terms of procurement, under the materiality of promoting sustainable procurement, Earth Corporation sets goals for increasing the usage rate of Forest Stewardship Council® (FSC®)-certified paper. Having switched over to using FSC®-certified paper (paper made from wood produced in forests that are deemed to be appropriately managed, or from other materials linked to the appropriate use of forest resources) for the paper tubes used in our Bath Roman products, we are continuing to expand its use to other paper-based wrapping materials. Additionally, at production sites, we are changing the packaging specifications of various raw materials to reduce waste from packaging materials received. For example, we reconsidered the packaging of the pillow film* for Black Cap cockroach bait, and by using single-layer sheets (for the bottom and around the outside), styrene sheets, and stretch film on a tray, we were able to significantly reduce the amount of cardboard used for packaging.

* Pillow film: The material of the bags covering the product inside a case of Black Cap cockroach bait.

Corporate Governance

Corporate Governance Guidelines https://corp.earth.jp/en/company/governance/pdf/guideline.pdf
Corporate Governance Report https://corp.earth.jp/en/company/governance/pdf/governance_report_en.pdf

In an effort to create and revitalize markets by providing products and services that offer value, Earth Corporation prioritizes ongoing initiatives to strengthen corporate governance with the goal of making management decisions quickly, supervising and directing the execution of operations, ensuring thorough compliance, and disclosing information appropriately, at the appropriate times. We strive to earn the trust of stakeholders as a company that offers value.

Materiality (Key Issues)
Strengthening the Management Structure

Advancing Corporate Governance

In order to achieve sustainable growth and enhance corporate value, Earth Corporation believes in the central importance of systems that are transparent and objective, and that enable quick decision-making. To respond with agility to changes in the management environment and to ensure rapid decision-making and clarity in management roles and responsibilities, the number of directors is kept to 10 or less (currently nine), and the term of each director lasts for one year. The Company has also introduced an executive officer system.

Initiatives for Strengthening Corporate Governance

2015	Appointed one independent outside director
2016	Formulated the Corporate Governance Guidelines
2018	Introduced an executive officer system
2021	Increased the number of internal directors by one to strengthen the management structure
2022	Appointed one female director Reduced the number of internal directors by one and increased the number of outside directors by one to achieve 33.3% for the ratio of outside directors Established the Nomination and Compensation Committee Published the Board of Directors' skill matrix
2024	Reduced the number of internal directors by one and increased the number of outside directors by one to achieve 44.4% for the Board's ratio of outside directors and 33.3% for its ratio of female directors

Corporate Governance Structure

Earth Corporation has selected a company with an Audit & Supervisory Board as our corporate governance structure. In addition to making quick, appropriate management decisions through the Board of Directors, Strategy Council, and other important meeting bodies, we have striven to strengthen the supervision and direction structure, for example by having outside directors and Audit & Supervisory Board members offer appropriate advice and opinions from a third-party perspective at these meetings. The current structure was adopted to fully guarantee the effectiveness of corporate governance, taking into account a variety of factors, including detailed conditions in relation to accounting and the execution of operations, through close collaborations among the Audit & Supervisory Board, the Internal Auditing Dept (an internal auditing division), and accounting auditors.

■ Board of Directors

As a rule, the Board of Directors meets once each month. To ensure the vitality and effectiveness of discussions and meetings of the Board of Directors, Earth Corporation has set an upper limit of 10 directors. Furthermore, to ensure independence and objectivity in discussions and meetings of the Board of Directors, we have appointed several independent outside directors, establishing a structure in which independent outside directors account for one third of all directors (four as of fiscal 2024). Based on their extensive experience and broad range of knowledge from their respective independent perspectives, the independent outside directors offer sound advice on management strategies and other topics, and therefore contribute to increasing the corporate value over the medium to long term. They also direct management through important decision-making processes at meetings of the Board of Directors, and monitor potential conflicts of interest based on objective arguments.

Regarding the Mid-term Business Plan as a commitment, in the event the Company fails to achieve the targets laid out in this and other annual plans, the Board of Directors is obligated to analyze the causes, and to reflect the results of their analysis in plans for the following term and beyond. From an objective standpoint, the Board of Directors also appropriately studies approaches to ensuring internal controls function effectively, as well as proposals from directors and executive officers. The number of discussion items at meetings of the Board of Directors shall be set appropriately based on importance, and sufficient time for discussion shall be set aside for each item.

■ Audit & Supervisory Board

The Audit & Supervisory Board comprises three members (two of which are outside auditors). Based on auditing policies and annual auditing plans, it conducts operational audits through visits to Earth Corporation's main workplaces and internal/external subsidiaries. It also monitors organizational operation structures by attending regular meetings of the Board of Directors and other important meetings. It exchanges opinions on important issues arising during audits with directors, including the President & Representative Director.

The Audit & Supervisory Board collaborates with the Auditing Division, which conducts internal audits, and holds regular meetings with accounting auditors to increase the effectiveness of audits through close collaborations, including active exchanges of information.

■ Nomination and Compensation Committee

The Nomination and Compensation Committee consists of the outside directors, the President & Representative Director, and the internal directors (however, independent outside directors constitute a majority of the Committee). We strive to ensure transparency and objectivity so that accountability is fulfilled in the consideration of important issues, for example by first consulting with the Nomination and Compensation Committee regarding the appointment and dismissal of directors, director compensation, succession plans, and other important matters.

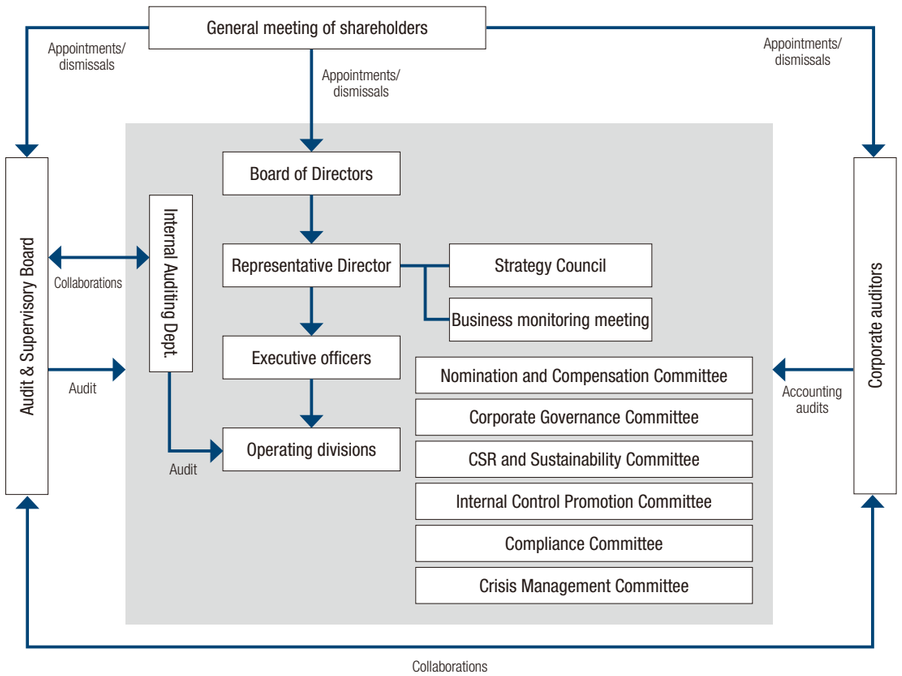
■ Executive Officers

Earth Corporation has adopted an executive officer system to clarify management roles and responsibilities and increase the speed with which plans are executed. At "strategy deliberation meetings" led by the President & Representative Director and comprising executive officers designated by the President, members conduct prior discussions about items to be raised at meetings of the Board of Directors, and deliberate on particularly important management items among those to be approved by the President.

Meetings held by the Board of Directors or other advisory bodies in 2023

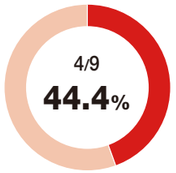
	Number of meetings held	Number of topics discussed	Number of reports	Attendance rate (internal officers)	Attendance rate (external officers)
Board of Directors	12	34	55	100%	100%
Audit & Supervisory Board	12	9	11	100%	96%
Nomination and Compensation Committee	2	4	0	75%	100%

Corporate governance structure

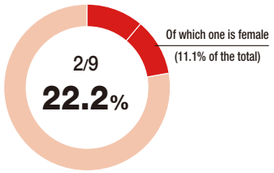


Configuration of the Board of Directors (as of March 22, 2024)

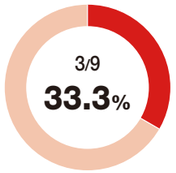
Ratio of outside directors



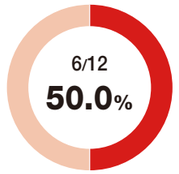
Ratio of foreign national/female directors



Ratio of female directors



Ratio of outside officers (outside directors/ outside Audit & Supervisory Board members)



About the Appointment of Directors and Audit & Supervisory Board Members

The Company appoints internal directors with extensive experience and a detailed knowledge of the Company's operations and market environment, and independent outside directors with management experience at other companies and a broad range of knowledge. Furthermore, the Company appoints both non-Japanese and female outside directors in order to ensure diversity in the supervision and direction structure used by the Board of Directors.

With the premise of achieving continuous growth for the Company and increasing corporate value in the medium and long term, we have identified the skills required of Earth Corporation's Board of Directors, and have created a skill matrix to give a visual representation of the knowledge and skills demonstrated by the various directors and Audit & Supervisory Board members. Essential skills will be reviewed regularly.

Please see the Convocation Notice of the Annual General Meeting of Shareholders regarding the reasons for director and auditor appointments.

Reasons for Director and Auditor Appointments
https://corp.earth.jp/en/ir/stock/meeting/pdf/100-001.pdf

Skill matrix of the Board Directors and Audit & Supervisory Board Members

	Name	Management Experience	Product Development	Sales & Marketing	Production & Procurement	Global	ESG & Sustainability	Human Resources & Human Resource Development	Legal & Risk Management	Finance & Accounting
Chairman of the Board	Tatsuya Otsuka	○	○	○						
Representative Director & President	Katsunori Kawabata	○	○	○			○			
Board Director	Yoshiyuki Furuya			○	○					
Board Director	Hisaaki Karataki				○	○		○	○	
Board Director	Takeshi Shakata			○		○				
Outside Director	Harold George Meij	○	○	○		○	○			
Outside Director	Naoko Mikami	○	○		○					
Outside Director	Ruth Marie Jarman			○		○	○			
Outside Director	Toshiko Oka	○				○		○	○	○
Full-time Audit & Supervisory Board Member	Yasuhiko Murayama							○	○	
Outside Audit & Supervisory Board Member	Shoji Kono									○
Outside Audit & Supervisory Board Member	Yukako Ikukawa									○

Effectiveness Evaluation for the Board of Directors

The effectiveness of the Board of Directors is evaluated once each year by directors and auditors, and as part of these evaluations, efforts are made to identify and resolve issues in order to further improve effectiveness.

In fiscal 2023, the Company distributed a questionnaire to all directors and Audit & Supervisory Board members serving as of December 2023 to evaluate the effectiveness of the Board of Directors, and to identify future issues and matters to be handled.

Analysis/Evaluation Process

Based on the advice of an external attorney, distribute a questionnaire to all directors and Audit & Supervisory Board members (serving as of December 2023)

↓

Aggregate and analyze the questionnaire responses

↓

Confirm the issues at the Board of Directors, and debate future initiatives

↓

Undertake improvement initiatives

Question Topics (20 questions in total)

- Approach to roles and functions of the Board of Directors
- Current size and configuration of the Board of Directors
- Current operations of the Board of Directors
- Current support system for outside directors
- Current level of consultation with the Board of Directors

Fiscal 2023 Initiatives and Evaluation

Fiscal 2023 Initiatives and Evaluation

The questionnaire response analysis confirmed that the Company's Board of Directors is generally effective in terms of its size and configuration, prior sharing of discussion items, the details and scope of materials, meeting lengths and time allocation, discussions regarding management strategies and management plans, discussions on matters involving risk, and active comments by outside directors.

Moreover, the Company engaged in the following initiatives regarding matters raised during the previous effectiveness evaluation of the Board of Directors.

[1] Efforts towards more efficient topic deliberations

In 2023, the Company received multiple comments to the effect that improvements had been made. We also received the following comments.

- Materials regarding performance reports and personnel-related matters were improved to be more easily understandable, and therefore contributed to efficiency
- Ongoing efforts to provide prior explanations to outside directors regarding agenda matters were helpful
- The Company should prepare materials using a standard format, and better clarify points to be discussed

[2] Enhanced supervision of the processes used to determine nominations and compensation

The Nomination and Compensation Committee has met twice (January and March) since it was initiated in 2023, at which the Representative Director and President presented materials to and consulted with the Committee regarding the selection of director candidates and compensation amounts for individual directors. Going forward, we aim for more effectively functional operations in light of opinions provided in the questionnaire.

Issues for Fiscal 2024

The following items were identified as future issues.

- Preparation of material formats and schedule management for more extensive discussions

Officer Compensation System

The Board of Directors has the authority to determine compensation amounts and calculation methods for Earth Corporation's officers.

To continually increase corporate value and maintain compensation levels appropriate to securing outstanding members, the compensation structure incorporates a performance-linked bonus as a short-term incentive tied into performance and a restricted stock compensation plan as a medium- to long-term incentive tied into shareholder benefits. Individual compensation for Earth Corporation directors is set at an appropriate level based on the responsibilities of each position.

Compensation for internal directors is composed of basic compensation, performance-linked compensation, and non-monetary compensation. Basic compensation paid to each director is decided as an annual amount and is paid on a monthly basis, in keeping with the individual's position and responsibilities. The amounts in question are considered comprehensively, taking into account the Company's performance and employee salary levels. The amount of performance-linked bonuses is set within the scope of approximately 0-30% of basic compensation, taking into consideration the degree of achievement for both Company performance and the directors' individual performance targets. Non-monetary compensation is provided as treasury stock compensation in the form of stocks with restrictions on transfer in the amount of 0-50% of the directors' basic compensation, according to the position, in order to raise awareness of the need to enhance corporate value over the long term.

Compensation for outside directors is limited to basic compensation alone.

Composition of Officer Compensation

Basic compensation	Short-term incentive (performance-linked compensation)	Long-term incentive (restricted stock compensation)
Fixed compensation	0-30% of basic compensation	0-50% of basic compensation

Total Amount of Director and Audit & Supervisory Board Member Compensation (2023)

Officer classification	Total amount of compensation (millions of yen)	Total amount of compensation by type (millions of yen)				Number of eligible officers (persons)
		Fixed compensation	Performance-linked compensation	Non-monetary compensation	Retirement benefits	
Directors (excluding outside directors)	755	565	—	190	—	6
Auditors (excluding outside auditors)	15	15	—	—	—	1
Outside officers	43	43	—	—	—	5

Note: The total compensation of the six directors (excluding outside directors) includes their compensation as officers of consolidated subsidiaries.

Total Amount of Consolidated Compensation for Each Officer (2023)

Name	Total amount of consolidated compensation (millions of yen)	Officer classification	Company classification	Amount of consolidated compensation by type (millions of yen)			
				Basic compensation	Restricted stock compensation	Bonuses	Retirement benefits
Tatsuya Otsuka	143	Director	Submitting company	129	14	—	—
Katsunori Kawabata	328	Director	Submitting company	225	84	—	—
		Director	Consolidated subsidiary, BATHCLIN Corporation	4	—	—	—
		Director	Consolidated subsidiary, Hakugen Earth Co., Ltd.	4	—	—	—
		Director	Consolidated subsidiary, Earth Pet Co., Ltd.	4	—	—	—
		Director	Consolidated subsidiary, Earth Environmental Service Co., Ltd.	4	—	—	—

Note: The table only lists consolidated compensations whose total amounts to 100 million yen or more.

Officer Training and Succession Planning

Officers shall undergo training conducted by an outside instructor at least once each year, and shall participate in outside training as deemed necessary. The Company shall bear the cost of participation in training and related activities. Moreover, the Company shall provide candidates for future upper management positions with opportunities for management training by outside agencies.

Earth Corporation selected a successor to the President & Representative Director following sufficient studies based on the management environment at the time. At present, a concrete successor plan has not yet been established, but the Nomination and Compensation Committee will consider it in the future, and the training of successor candidates is ongoing through individual in-house training including decisions on important management issues.

Cross-shareholdings

Earth Corporation holds the shares of target companies as policy investments from the perspective of medium- to long-term corporate value. Specifically, these issues are held for the purpose of consistently maintaining and strengthening medium- to long-term transactional relationships with suppliers. The Company's policy shall be to minimize the ownership of issues deemed to have insufficient rationale for such ownership. The appraised value of individual issues shall not exceed 5% of total consolidated assets.

The Board of Directors shall verify the medium- to long-term economic rationality of cross-shareholdings on an annual basis, and shall make a judgment on the continuation, expansion, reduction, or elimination of owned shares. At the Board of Directors meeting in December 2023, the Company made an appropriate judgment regarding the held issues based on quantitative approaches to listed issues held as cross-shareholdings, including the rate of change in the assessed value from the time of acquisition and the average annual rate of change over the most recent five-year period, as well as by verifying the purpose of the holdings.

Outside Director's Message

The Evolution and Future of Earth Corporation as Supported from an Objective Standpoint

I will contribute to the growth and greater corporate value of Earth Corporation through discussions at the Company's highly diverse Board of Directors.

Earth Corporation's Board of Directors truly appears to be an arena for the management team to exchange opinions, and where we hold free, open, and unfettered discussions. The Company has also established an atmosphere in which anyone with an opinion regarding any part of the Company, not just the management team, can easily speak-up, which I feel has nurtured a culture that readily gives rise to new ideas and business concepts.

Since March 2024, four outside directors have participated in the Board of Directors, two of whom are foreign nationals and three of whom are women, making for a highly diverse membership. With thoughts based on perspectives, areas of expertise, and experience that differ from those of the internal directors, the outside directors offer their respective opinions in a way that helps deepen the Board's discussions. This is why I feel the role played by the outside directors on the Board is significant.

The fiscal 2023 Board of Directors discussed various topics with a particular focus on formulating the Company's Mid-term Business Plan. We engaged in lively, unrestrained, concrete discussions intended to tackle the challenge of structural reforms, including reorganizing product groups with declining profitability and overlapping fields within the Group, as well as reducing inventories and restructuring the Group. We were also able to proceed smoothly with our discussions because the Company thoroughly prepared materials covering the profit margins for each business, for example.

Earth Corporation's insecticides and repellents maintain an overwhelming market share given their strengths supported by an extensive research track record and know-how. In order to enhance profitability and achieve future growth for the Group as a whole, however, the Company must tackle the urgent need to develop high-value-added products, and to nurture a second and third pillar of growth following on insecticides and repellents. The Company must therefore study key fields, concentrate its research and development investments, and develop these into new, deeply-rooted businesses.

Moreover, we discuss human asset cultivation on almost every occasion, where I have advised upon the importance of fair personnel reviews and feedback as a means of retaining talented employees. In order for the Company as a whole to engage in Group-wide evaluations under its human resources management strategy, those involved in making personnel reviews must undergo a drastic change in mindset. Ensuring the fairness of evaluations and establishing an environment in which employees feel rewarded, for example, will enhance the performance of the Company as a whole, and help realize sustainable growth.

Because insecticides and repellents are an essential business field against the backdrop of climate change-driven global warming, I foresee growth in this field for both Japan and around the world. Although Earth Corporation has made in-roads overseas beyond Thailand and Vietnam to reach Malaysia, the Philippines, and other rapidly growing countries in ASEAN, the Company still possesses significant room for growth in its ratio of overseas business. As such, the Company must drive marketing approaches that overcome the barriers of language and culture. And I look forward to the future of the company given the emergence within of human assets who excel in local marketing.

As an outside director, I will focus on and provide advice from an objective perspective regarding Earth Corporation's approach to developing businesses that will evolve into a second and third pillar of revenue, as well as its approach to furthering its overseas expansion.

Outside Director

Naoko Mikami

Brief profile

Joined Ajinomoto Co., Inc. in 1983. Active across a wide range of fields, including corporate management, production, and quality control at C'BON COSMETICS Co., Ltd. since 2010. Outside director of Earth Corporation since 2022.

Risk Management

Basic Approach

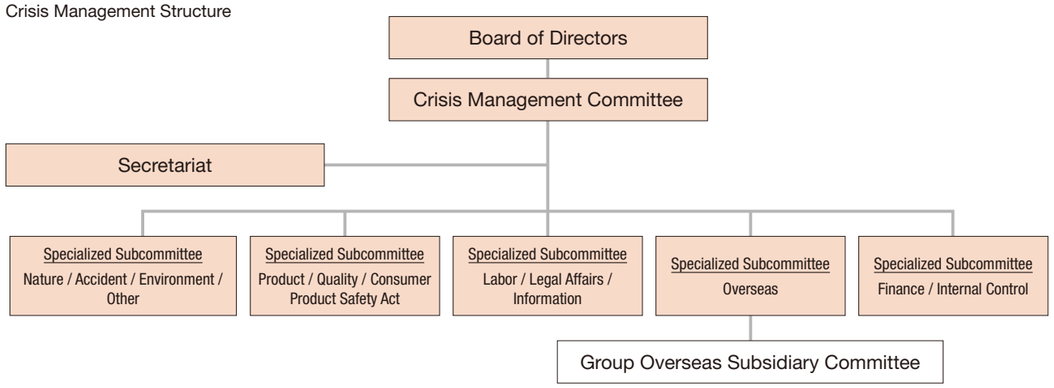
In its sustainability management, Earth Corporation recognizes the various risks surrounding its business from an ESG perspective. Also recognizing the importance of risk management from the perspectives of risk prevention, responding appropriately to crises, and creating business opportunities from risks, we work to further strengthen our management infrastructure.

Crisis Management

Earth Corporation has created a Crisis Management Manual and a BCP*1 Manual, and promotes crisis awareness among its employees. The Company currently focuses its efforts on management (BCM*2) that promotes the functioning of the Business Continuity Plan (BCP). In 2018, the Company obtained Resilience Certification based on a guideline regarding the certification of organizations contributing to National Resilience established by the National Resilience Promotion Office of the Cabinet Secretariat. Based on this certification, the Company undertakes measures in the event of disasters, at the Head Office, R&D Center, plants, and other workplaces.

*1 BCP: Business Continuity Plan
*2 BCM: Business Continuity Management

Crisis Management Structure



Securities Report https://corp.earth.jp/jp/ir/library/securities-report/pdf/23_4Q_houkokusyo.pdf (Only available in Japanese)

Formulation of BCP, BCM

Fully aware that risks to employee safety, the loss of society's trust, and economic losses resulting from various management crises can pose a serious hindrance to management, we organized and put in place systematic measures to prevent such management crises from occurring. Even in the event that a crisis materializes, here, we have laid out measures for clarifying and sharing basic crisis management regulations in the form of basic rules and codes of conduct, so that the parties involved can quickly make judgments and act to minimize damage.

The Crisis Management Committee formulates the BCP and identifies risks that could lead to a management crisis. We also conduct BCP tabletop drills and review our countermeasures. Providing our employees with regular education and training sessions, we work to instill in them what to do in the event of a crisis situation.

Information Security Initiatives

Earth Corporation has implemented an Information Security Management System (ISMS) through the Information System Division and established a Basic Information Security Policy, communicating to all employees the importance of information security. Employees undergo regular information security training to prevent risks that could lead to information leaks and other related incidents. Creating annual plans, amending manuals, and discussing improvement measures based on post-review evaluations by outside third-party auditing agencies, the ISMS Committee also holds training sessions for each department and conducts ongoing risk assessments. In fiscal 2023, there were no major incidents involving information security.

Security Policy https://corp.earth.jp/en/security/index.html

Compliance

Basic Concept and Promotion System

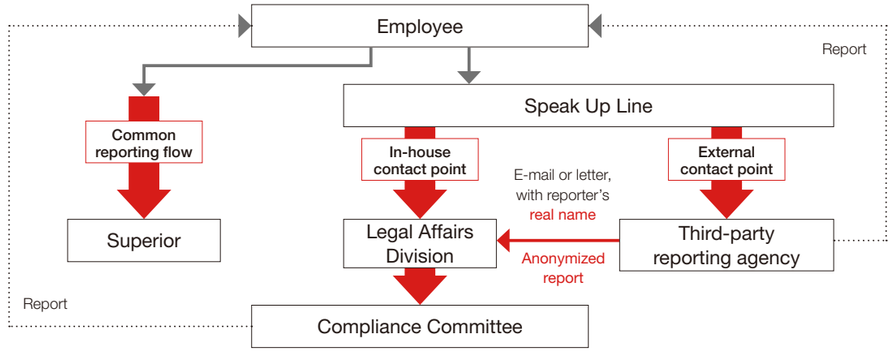
Earth Corporation has established a cross-sectoral Compliance Committee, with the Director in charge of legal affairs serving as the chairperson, to share information regarding issues related to compliance and promote compliance on a Company-wide basis. In addition to distributing Compliance Support News, a compliance-related newsletter, and conducting compliance awareness surveys, we are conducting highly effective training programs that reflect the information gathered through the aforementioned surveys.

To ensure that all officers and employees (including contract, temporary, and part-time employees) maintain a strong sense of ethics and comply with laws and regulations, the Company also distributes the Earth Corporation Conduct Guidelines and Explanation of Guidelines, which have been compiled to offer summaries of our code of conduct in booklet form.

Internal Reporting System

To ensure that we remain trusted by society and have true value, we recognize the importance of being a company that is open to receiving information on a wide range of issues both internally and externally and to provide solutions in a proactive manner. Within Earth Corporation, we have established two versions of the Speak Up Line (internal and external) as contact points for internal reporting. Based on this system, employees can submit inquiries about operations or notify the Compliance Committee regarding a possible violation of rules. It is also possible to send information by e-mail or even by letter, or report to the external contact point anonymously. The system is accessible to former employees up to one year after they have left the Company, and persons submitting inquiries or reports are protected to ensure that they are not subject to any disadvantageous treatment within the Company.

"Speak Up Line" System



Putting in Place an External Reporting Contact Point

To further strengthen governance functions, Earth Corporation has put in place a contact point to receive inquiries and reports from business partners regarding the Company's compliance with laws and corporate ethics (Earth Corporation Conduct Guidelines and Earth Group Global Conduct Guidelines). Contact point operations are entrusted to IntegreX Inc., a third-party agency that has entered into an outsourcing and confidentiality agreement with Earth Corporation. The privacy of those who seek advice or contact us will be strictly respected, and individuals or business partners that have submitted reports will never be subject to disadvantageous treatment as a result of submitting such a report.

Reporting contact point usage record (non-consolidated)

Nature of report	FY12/2019	FY12/2020	FY12/2021	FY12/2022	FY12/2023
Number of compliance training attendees	70	85	125	124	145
Number of reports and consultations* (cases)	1	3	5	4	7
Number of compliance violations (causes leading to resignations) (cases)	1	0	0	0	0

* Include number of cases handled by the Harassment and Human Relations Hotline

Executives (as of 22, March 2024)

Directors

● Attendance at meetings of the Board of Directors ● Attendance at meetings of the Nomination and Compensation Committee ● Number of shares held

Tatsuya Otsuka
Chairman

● 12/12 (100%)
● 151,400 shares

Career overview

Apr. 1986 Joined Otsuka Pharmaceutical Co., Ltd.
Jan. 1990 Joined the Company
Mar. 1990 Board Director of the Company
Mar. 1992 Managing Board Director of the Company
Mar. 1994 President & Executive Managing Board Director of the Company
Mar. 1998 President & Representative Director of the Company
Mar. 2014 Chairman of Board of Directors of the Company (present)

Katsunori Kawabata
Representative Director, President & CEO

● 12/12 (100%)
● 1/2 (50%)
● 82,700 shares

Career overview

Mar. 1994 Joined the Company
Mar. 2011 Board Director Status, General Manager of Sales Headquarters Osaka Office of the Company
Mar. 2013 Board Director, Director General of Gardening Strategy Headquarters of the Company
Mar. 2014 President & Representative Director, Director General of Gardening Strategy Headquarters of the Company
Aug. 2015 President & Representative Director, Director General of Marketing General Strategy Headquarters of the Company
Mar. 2019 Chairman of the Board of Directors of BATHCLIN Corp. (present)
President & Representative Director of Earth Pet Co., Ltd.
Mar. 2021 Representative Director, President & CEO of the Company (present)
Chairman of the Board of Directors of Hakugen Earth Co., Ltd. (present)
Chairman of the Board of Directors of Earth Pet Co., Ltd. (present)
Chairman of the Board of Directors of Earth Environmental Service Co., Ltd. (present)

Yoshiyuki Furuya
Director

● 12/12 (100%)
● 39,600 shares

Career overview

Mar. 1985 Joined the Company
Mar. 2008 Board Director Status, General Manager of Sales Planning Department, Sales Headquarters of the Company
Feb. 2012 Board Director of BATHCLIN Corp.
Mar. 2014 Board Director, General Manager of Sales Planning Department, Sales Headquarters of the Company
Sep. 2014 Board Director of Hakugen Earth Co., Ltd.
Jan. 2015 Board Director of the Company, Director General of Sales Headquarters of the Company
Mar. 2016 Managing Board Director, Director General of Sales Headquarters of the Company
Mar. 2018 Board Director & Managing Executive Officer, Director General of Sales Headquarters of the Company
Mar. 2021 Board Director & Senior Managing Executive Officer, Assistant President
Mar. 2023 Board Director, Executive Officer, and Assistant to the President, in Charge of Overall Management
Mar. 2024 Board Director, Senior Executive Vice President (Present)

Hisaaki Karataki
Director

● 12/12 (100%)
● 2/2 (100%)
● 27,500 shares

Career overview

Mar. 1979 Joined the Company
Mar. 2006 Board Director Status, President & General Manager of Earth Chemical (Suzhou) Co., Ltd.
Mar. 2011 Board Director of the Company & President of China Operations
Jun. 2015 Chairman of Earth Chemical (Shanghai) Management Co., Ltd.
Sep. 2015 Chairman of Earth Chemical (Suzhou) Co., Ltd.
Chairman of Earth Chemical (Tianjin) Co., Ltd.
Mar. 2016 Board Director, Director General of Administration Headquarters of the Company
Jul. 2017 Auditor & Supervisory Board Member of Earth Pet Co., Ltd.
Mar. 2018 Board Director & Senior Executive Officer, Director General of Administration Headquarters of the Company
Mar. 2021 Board Director & Managing Executive Officer, Director General of Administration Headquarters of the Company
Mar. 2023 Board Director Executive Vice President, in charge of Administration, Director General of Administration Headquarters of the Company
Mar. 2024 Board Director Executive Vice President, in charge of Administration (present)

Takeshi Shakata
Director

● 12/12 (100%)
● 6,800 shares

Career overview

Apr. 1988 Joined Kyushu Sangyo Kotsu Co., Ltd. (currently KYUSHU INDUSTRIAL TRANSPORTATION HOLDINGS CO., LTD.)
Aug. 1996 Joined Hisamitsu Pharmaceutical Co., Inc.
Mar. 2006 General Manager of West Japan Operation Dept. of Hisamitsu Pharmaceutical Co., Inc.
Sep. 2009 Chairman and President of Hisamitsu Vietnam Pharmaceutical Co., Ltd.
Jun. 2012 Executive Officer, General Manager of Cosmetics Business Division of Hisamitsu of Pharmaceutical Co., Inc.
May 2015 Senior Executive Officer, General Manager of Cosmetics Business Division of Hisamitsu of Pharmaceutical Co., Inc.
May 2019 Managing Executive Officer, General Manager of Cosmetics Business Division of Hisamitsu of Pharmaceutical Co., Inc.
Jan. 2021 Joined the Company
Mar. 2021 Board Director & Managing Executive Officer, Director General of Sales Headquarters of the Company
Mar. 2023 Board Director Executive Vice President, in charge of Sales and Marketing Division, Director General of Sales Headquarters of the Company
Mar. 2024 Board Director Executive Vice President, in charge of Sales and Marketing Division, Director General of Sales Headquarters (present)

Harold George Meij
Outside Director

● 12/12 (100%)
● 2/2 (100%)
● — shares

Career overview

Jan. 1987 Joined Heineken Japan K.K. Assistant General Manager of Heineken Japan K.K.
Apr. 1990 Joined Nippon Lever K.K. (currently Unilever Japan K.K.) Assistant Brand Manager of Nippon Lever K.K.
Apr. 2000 Joined Sunstar Inc. Executive Officer of Oral Care Division of Sunstar Inc.
Sep. 2006 Joined COCA-COLA (JAPAN) COMPANY, LIMITED Executive Vice President & General Manager of Marketing Headquarters of COCA-COLA (JAPAN) COMPANY, LIMITED
Nov. 2008 Executive Vice President & Chief Customer Officer of COCA-COLA (JAPAN) COMPANY, LIMITED
Mar. 2014 Joined TOMY COMPANY, LTD. Management Advisor of TOMY COMPANY, LTD.
Jun. 2015 Representative Director, President & CEO of TOMY COMPANY, LTD.
May 2018 Representative Director, President & CEO of New Japan Pro-Wrestling Co., Ltd.
Mar. 2019 Outside Director of the Company (present)
Nov. 2020 Advisor of Sanrio Company, Ltd. (present)
Apr. 2021 Outside Director of Alinamin Pharmaceutical Co., Ltd. (present)
Dec. 2021 Outside Director of COLOPL, Inc. (present)
Apr. 2022 Outside Director of Panasonic Corporation (present)
Feb. 2024 Outside Director of Kewpie Corporation (present)

Major concurrent posts

Advisor of Sanrio Company, Ltd., Outside Director of Alinamin Pharmaceutical Co., Ltd., Outside Director of COLOPL, Inc., Outside Director of Panasonic Corporation, Outside Director of Kewpie Corporation

Naoko Mikami
Outside Director

● 12/12 (100%)
● 2/2 (100%)
● 300 shares

Career overview

Apr. 1983 Joined Ajinomoto Co., Inc.
Apr. 2007 Visiting Professor, Musashino University
Jan. 2010 Joined C'BON COSMETICS Co., Ltd. Senior Manager of Tochigi Plant
Apr. 2010 Plant Manager of Tochigi Plant of C'BON COSMETICS Co., Ltd.
Jun. 2011 Executive Officer in charge of Production Dept. of C'BON COSMETICS Co., Ltd.
Jun. 2012 Board Director in charge of Production Dept. of C'BON COSMETICS Co., Ltd.
Apr. 2017 Board Director & Executive Officer in charge of Administration Division of C'BON COSMETICS Co., Ltd.
Jun. 2017 Managing Board Director & Executive Officer of C'BON COSMETICS Co., Ltd.
Jun. 2019 Representative Director & Vice President, Executive Officer of C'BON COSMETICS Co., Ltd.
Jan. 2020 Representative Director & Vice President, Executive Officer in charge of Product Development Division of C'BON COSMETICS Co., Ltd.
Jun. 2021 Outside Director of Showa Sangyo Co., Ltd. (present)
Mar. 2022 Outside Director of the Company (present)

Major concurrent post

Outside Director of Showa Sangyo Co., Ltd.

Ruth Marie Jarman
Outside Director

● —
● — shares

Career overview

Dec. 1988 Joined Recruit Co., Ltd.
Dec. 2000 Joined Space Design Inc.
Apr. 2012 CEO of Jarman International KK (present)
Jun. 2012 Director of HRM Association (present)
Jun. 2019 Outside Director of Fujibo Holdings, Inc. (present)
Jun. 2020 Outside Director of KADOKAWA Corp. (present)
Jun. 2023 Director of Japan Association for Women's Education (present)
Jun. 2024 Outside Director of the Company (present)

Major concurrent posts

CEO of Jarman International KK, Director of HRM Association, Outside Director of Fujibo Holdings, Inc., Outside Director of KADOKAWA Corp., Director of Japan Association for Women's Education

Toshiko Oka
Outside Director

● —
● — shares

Career overview

Apr. 1986 Joined Tohmatsu Touche Ross Consulting Limited
Jul. 2000 Joined Asahi Arthur Anderson Limited
Sep. 2002 Principal of Deloitte Tohmatsu Consulting Co., Ltd. (currently ABeam Consulting Ltd.)
Apr. 2005 President and Representative Director of Abeam M&A Consulting Ltd. (currently PwC Advisory LLC)
Apr. 2016 Partner of PwC Advisory LLC
Jun. 2016 Outside Director of Hitachi Metals, Ltd. (currently Proterial, Ltd.)
Jun. 2019 Outside Director of Happinet CORPORATION (present)
Jun. 2020 Outside Director of ENEOS Holdings, Inc. (present)
Apr. 2021 Professor of Meiji University Graduate School of Global Business (present)
Jun. 2021 Outside Director of Hitachi Construction Machinery Co., Ltd. (present)
Jun. 2024 Outside Director of the Company (present)

Major concurrent posts

Outside Director of Happinet CORPORATION, Outside Director of ENEOS Holdings, Inc., Professor of Meiji University Graduate School of Global Business, Outside Director of Hitachi Construction Machinery Co., Ltd.

Audit & Supervisory Board Members

● Attendance at meetings of the Audit & Supervisory Board Members ● Number of shares held

Yasuhiko Murayama
Full-time Audit & Supervisory Board Member

● 12/12 (100%)
● 6,400 shares

Career overview

Mar. 1979 Joined the Company
Apr. 2005 General Manager of Audit Office
Mar. 2012 General Manager of the Management Headquarters Human Resources Department
Jun. 2013 Board Director Status, General Manager of the Management Headquarters Human Resources Department
Mar. 2018 Executive Officer, General Manager of the Management Headquarters Human Resources Department
Mar. 2019 Full-time Audit & Supervisory Board Member of the Company (present)

Shoji Kono
Outside Audit & Supervisory Board Member

● 11/12 (92%)
● 700 shares

Career overview

Apr. 1979 Joined Riccar Inc.
Sep. 1985 Joined Meikoshokai Co., Ltd.
Oct. 1998 Joined Chuo Auditing
Apr. 2002 Registered as Certified Public Accountant
Jul. 2007 Joined ShinNihon Auditing (currently Ernst & Young ShinNihon LLC)
Jul. 2016 Opened the Shoji Kono Accounting Office
Mar. 2017 Outside Audit & Supervisory Board Member of the Company (present)
Nov. 2017 Outside Audit & Supervisory Board Member of infoNet inc. (present)

Major concurrent post

Outside Audit & Supervisory Board Member of infoNet inc.

Yukako Ikukawa
Outside Audit & Supervisory Board Member

● 12/12 (100%)
● 500 shares

Career overview

Apr. 1997 Joined ORIX Corporation
Jun. 1998 Joined Saito Accounting Office
Sep. 2001 Joined Tadashi Furumoto Certified Public Accounting & Tax Office (currently Deloitte Tohmatsu Tax Co.)
Mar. 2003 Registered as Certified Public Tax Accountant
Jul. 2012 Director of Tohmatsu Tax Co. (currently Deloitte Tohmatsu Tax Co.)
Oct. 2015 Head of Yukako Ikukawa Certified Public Tax Accountant Office (present)
Dec. 2015 Outside Auditor & Supervisory Board Member of Toa Valve Engineering Inc. (currently TVE Co., Ltd.)
Dec. 2016 Outside Director (Auditor & Supervisory Committee Member) of Toa Valve Engineering Inc. (currently TVE Co., Ltd.) (present)
Jun. 2018 Representative Partner of KaimanaHila Limited Liability Company (present)
Mar. 2019 Outside Audit & Supervisory Board Member of the Company (present)
Jun. 2023 Outside Director (Auditor & Supervisory Committee Member) of GLORY LTD. (Present)

Major concurrent posts

Outside Director (Auditor & Supervisory Committee Member) of Toa Valve Engineering Inc. (currently TVE Co., Ltd.), Representative Partner of KaimanaHila Limited Liability Company, Outside Director (Auditor & Supervisory Committee Member) of GLORY LTD.

Executive Officers

Senior Executive Vice President

Yoshiyuki Furuya

Executive Vice Presidents

Hisaaki Karataki
Takeshi Shakata

Managing Executive Officers

Takayuki Matsunaga
Hiroshi Kijima
Toshitaka Ochi

Senior Executive Officers

Tsuyoshi Mitsuzuka
Hiroyuki Matsushita
Norio Horiyama
Takumi Adachi
Hiroyuki Kubo
Kentaro Sato
Hiroyuki Taniguchi
Kengo Yamashita
Isao Goji

Executive officers

Hideshi Fujimoto
Yasunori Sakamoto
Yoshiaki Sakurai
Akira Kaji
Jun Hiramatsu
Koji Kitamura
Masaharu Wada
Tomokazu Nohso
Akira Yamauchi
Shotaro Okada
Mikako Kawaguchi
Morihiro Wada

11-Year Summary of Major Financial and Non-financial Data

* The "Accounting Standard for Revenue Recognition" is applied from 2022.

Financial indicators	2013/12	2014/12	2015/12	2016/12	2017/12	2018/12	2019/12	2020/12	2021/12	2022/12	2023/12
Fiscal year-end (unit: million yen)											
Sales	135,737	145,858	159,739	168,505	179,738	181,104	189,527	196,045	203,785	152,339	158,344
Overseas sales	4,722	5,305	5,791	6,734	9,198	9,986	11,309	11,960	13,196	14,054	14,963
Overseas sales ratio (%)	3.5	3.6	3.6	4.0	5.1	5.5	6.0	6.1	6.5	9.2	9.4
Total cost of sales	84,979	91,150	101,241	104,870	111,636	113,727	119,109	117,094	121,451	89,870	94,719
Total selling, general and administrative expenses	45,311	49,864	54,481	58,085	63,645	66,340	66,501	67,535	71,666	55,034	57,254
Advertising expenses	8,201	8,586	8,997	8,960	9,898	10,579	8,007	7,937	8,100	7,112	6,982
Personnel expenses	13,260	14,026	15,074	16,295	16,838	17,707	18,478	20,253	20,882	20,685	21,607
Depreciation	515	466	531	713	929	1,096	1,096	1,123	1,277	1,475	1,728
Amortization of goodwill	1,707	1,765	1,908	1,908	2,295	2,559	2,596	2,440	1,836	429	119
Research and development expenses	2,037	2,227	2,328	2,682	2,695	2,900	2,663	2,673	3,172	3,217	3,301
Operating income	5,446	4,843	4,016	5,549	4,456	1,036	3,916	11,416	10,667	7,434	6,370
Operating income margin (%)	4.0	3.3	2.5	3.3	2.5	0.6	2.1	5.8	5.2	4.9	4.0
Net income before income taxes	6,649	5,567	4,306	6,437	5,059	1,960	3,372	7,278	10,963	8,057	6,563
Net income attributable to owners of parent	2,986	1,705	1,165	3,364	2,205	-142	1,250	3,547	7,142	5,303	4,102
Cash flows from operating activities	7,026	6,380	3,791	8,089	9,175	369	10,022	24,590	4,814	3,901	7,524
Cash flows from investing activities	-1,419	-10,422	-5,969	-5,501	-13,995	-1,515	-3,990	-3,168	-3,220	-6,266	-10,135
Cash flows from financing activities	-4,058	3,489	1,180	-2,216	3,262	-3,203	-4,768	-4,938	-4,610	-4,464	4,893
Free cash flow	5,607	-4,041	-2,178	2,587	-4,819	-1,146	6,031	21,421	1,594	-2,364	-2,611
Fiscal year-end (unit: million yen)											
Total property, plant and equipment	17,727	23,879	26,761	28,431	29,643	29,215	28,220	28,030	27,551	29,483	31,383
Inventory assets	16,865	22,228	23,216	23,159	22,629	23,782	22,507	22,179	27,502	32,253	28,266
Total intangible assets	14,596	14,450	12,703	12,132	19,256	16,180	13,143	6,268	4,276	5,355	8,774
Total assets	85,796	101,598	104,448	107,366	118,167	109,309	107,425	119,870	120,715	124,489	132,407
Total liabilities	37,390	52,017	55,457	58,174	67,638	64,936	63,102	60,046	56,118	56,470	60,406
Borrowings	5,564	11,452	15,148	15,503	22,254	22,764	20,717	5,290	3,698	2,200	10,000
Short-term borrowings	1,330	2,240	4,051	4,997	7,859	12,072	13,882	1,756	1,480	1,000	10,000
Current portion of long-term borrowings	1,408	2,206	3,066	2,667	4,041	3,882	3,284	1,314	1,018	1,200	0
Long-term borrowings	2,826	7,006	8,030	7,838	10,354	6,809	3,550	2,218	1,200	0	0
Total net assets	48,406	49,580	48,991	49,192	50,529	44,372	44,322	59,823	64,596	68,018	72,000
Year-end share price (yen)	3,700	4,015	4,965	4,750	5,680	5,050	5,700	5,820	6,130	5,060	4,570
Information per share (unit: yen)											
Net income per share	147.86	84.47	57.69	166.60	109.20	-7.06	61.80	170.65	323.76	240.47	185.57
Net assets per share	2,151.52	2,192.88	2,151.82	2,154.95	2,225.30	1,989.93	1,978.86	2,507.62	2,720.37	2,846.07	3,007.52
Dividend per share	105.0	110.0	110.0	115.0	115.0	115.0	100.0	115.0	118.0	118.0	118.0
Profitability and valuation reporting											
Equity ratio (%)	50.6	43.6	41.6	40.5	38.0	36.8	37.3	46.1	49.7	50.4	50.3
ROE (%)	7.0	3.9	2.7	7.7	5.0	-0.3	3.1	7.4	12.4	8.6	6.3
ROIC (%)	5.7	3.4	2.6	5.6	3.6	0.3	3.0	10.0	11.3	8.0	5.6
D/E ratio (times)	0.13	0.27	0.36	0.36	0.50	0.57	0.52	0.10	0.06	0.04	0.15
DOE (%)	5.0	5.1	5.1	5.3	5.3	5.5	5.0	5.1	4.5	4.2	4.0
PBR (times)	1.72	1.83	2.31	2.20	2.55	2.54	2.88	2.32	2.25	1.78	1.52
Dividend payout ratio (%)	71.0	130.2	190.7	69.0	105.3	-1,628.9	161.9	67.4	36.4	49.1	63.6
Total number of issued shares	20,200,000	20,200,000	20,200,000	20,200,000	20,200,000	20,220,000	20,237,500	22,057,500	22,077,500	22,077,500	22,141,100
Non-financial indicators (Non-consolidated)											
Number of consolidated employees (Persons)	2,933	3,334	3,396	3,479	4,788	5,047	4,180	4,255	4,522	4,727	4,788
Number of women in management positions*1 (Persons)	4	7	13	14	15	16	19	21	28	32	32
(Ratio of women in management positions*2 (%))	1.7	2.8	4.9	5.0	4.9	5.3	6.4	7.1	9.2	10.2	11.4
Annual work hours per person (hours)	—	—	—	—	—	—	—	—	1,756	1,766	1,814
Paid holiday usage rate*3 (%)	—	—	—	—	63.3	74.3	73.0	70.4	76.2	79.3	84.9
Greenhouse gas emissions (Scope 1, 2 ,3)*4 (t-CO_2)	5,553	5,693	5,785	5,583	7,341	6,297	5,448	5,453	1,035,784	978,120	1,079,694
Energy usage volumes (GJ)	105,156	107,079	102,512	108,435	134,040	127,678	124,919	130,522	131,721	134,520	115,511
Water usage volumes (water intake quantity)*5 (1,000 m^3)	48.6	43.5	42.6	48.3	77.6	81.2	93.2	103.4	97.5	101.6	98.0
Industrial waste emission volumes (t)	1,565	1,615	2,709	3,196	2,647	2,285	1,993	2,260	3,202	4,328	3,883

*1 Data up to 2022 refers to the number of females in manager-equivalent positions among executive officers (excluding directors, treated as executives up to 2017), full-time employees, and continuous employment contract employees as of December 31 of the relevant fiscal year. Data for 2023 refers to the number of females in manager-equivalent positions among full-time employees as of December 31, 2023.

*2 Data up to 2022 is calculated as the number of females in manager-equivalent positions among executive officers (excluding directors, treated as executives up to 2017), full-time employees, and continuous employment contract employees as of December 31 of the relevant fiscal year divided by the total number and multiplied by 100%. Data for 2023 is calculated as the number of females in manager-equivalent positions among full-time employees as of December 31, 2023, divided by the total number and multiplied by 100%.

*3 Calculated as the total number of paid holiday days taken during the relevant fiscal year by all eligible employees, where eligible employees refers to those that have been granted paid holidays during the relevant fiscal year and were employed as of December 31 of the relevant fiscal year (excluding those on leave and seconded employees), divided by the total number of paid holiday days granted during the relevant fiscal year and multiplied by 100%.

*4 Data prior to 2020 does not include Scope 3, and data for Scope 1 prior to 2018 does not include CFCs from the headquarters. Actual data for Scope 1 and 2 for the period ended December 31, 2023, is calculated using the coefficients following the legal revisions in April 2023.

*5 Only plants, research facilities, the headquarters, and ActTerrace (not including tenant offices)

Glossary

Term	Explanation
Act For ECO Mark	A mark displayed on products that meet the Earth ECO Standards, Earth Corporation's unique environmental standards.
Customer Service Department	On April 1, 2021, we renamed the Customer Service Office to the Customer Service Department. This department receives direct feedback from customers regarding products and the issues they face on a day-to-day basis, and plays the important role of accurately conveying this feedback to the responsible department. In order to further instill within the Company Earth Corporation's policy of creating a market with customers, this department was transferred to the direct control of the President in 2018.
Earth ECO Standards	Earth Corporation's unique environmental standards for promoting the development of environmentally friendly products. Under the concepts of reducing CO_2 emissions, valuing limited resources, and factoring in every stage through to disposal, we formulated these standards with the explicit goal of achieving six of the 17 SDGs related to the environment and manufacturing.
EMAL	Stauding for Eearth Marchandising Action Lady, this acronym refers to employees who create attractive sales floors and engage in in-store sales promotions from a customer perspective. Locally hired in regions throughout Japan, EMAL support the creation of sales floors and sales promotions in consideration of seasonal, weather, and other trends from a customer perspective, and from the standpoint of a consumer from their region of hire.
Environmental Doctor	Staff possessing the latest knowledge on hygiene management and the related high-level technical capabilities. Having acquired knowledge and skills through a proprietary education and training program, and having built up extensive experience at various worksites, these staff diagnose the quality of hygiene management at customer worksites, identify problematic areas, prescribe improvement measures, and offer support for maintaining and improving the safety and security of environments while providing treatment and implementing preventative measures.
Insecticides and repellents	Refers to products intended to exterminate or repel flies, mosquitoes, cockroaches, ticks, and other harmful insects. Despite their extremely high level of safety, however, consumers have tended to believe that insecticides are highly toxic. Moreover, in Japanese, "insecticide" is written using characters meaning "kill," "insect" and "substance." Therefore, in 2017, we began using the term "Mushi-Care"(Insecticides and Repellents in English) to insist on the protection from insects that our products offer to humans. The English name of the segment was also changed from "Insecticides" to "Insecticides and Repellents."
Integrated Environmental Hygiene Management (Total Healthcare System)	A support service for hygiene management provided by Earth Environmental Service Co., Ltd. This integrated, systematic hygiene management support service is tailor-made for each customer based on Earth Corporation's various management systems, as well as our unique technologies and expertise.
Japan MA-T Industrial Association	An open innovation platform that aims to explore the economic benefits of creating an industry from MA-T®, as well as its potential for solving the challenges faced by society.
MA-T System®	Standing for Matching Transformation System®, this oxidation control system is based on an innovative technology developed in Japan. Controlling the strength of activation allows this system to be applied to a wide range of applications, including neutralizing viruses and sterilizing various types of bacteria.
Phase Free	This is the concept that common goods and services should be made in a way that improves quality of life and protects our lifestyles and lives, both during normal times and emergencies (disasters).
SKU	The acronym for Stock Keeping Unit, SKUs are used to classify products into the minimum unit for management purposes. SKUs are used to classify the same product by different sizes and package types, thereby easing ordering and inventory management.
TACO System	The acronym for Tactical Antenna for Consumers' Opinions, this name was chosen given our desire to accumulate feedback from customers with a level of sensitivity equal to that of insect antenna, and to apply this feedback in product strategies. This unique customer service system was designed by Earth Corporation to swiftly and painstakingly respond to consultations and inquiries from customers. It also maintains data on inquiry details collected from customers and retail stores, which we then use to provide better products and services.

Statement of Authenticity

On Issuing the Earth Corporation 2024 Integrated Report

Isao Goji
Senior Executive Officer and Director General of the Corporate Planning Headquarters

Earth Corporation has provided information on our medium- to long-term initiatives and sustainability efforts through our website and other means. More recently, we published our first-ever integrated report in order to indicate to our investors and other stakeholders our approach to and initiatives for solving problems as we work to create value and achieve sustainable growth. We hope that this integrated report provides a solid understanding of our path to materializing the Earth Group Corporate Philosophy of "We act to live in harmony with the Earth."

Company Overview

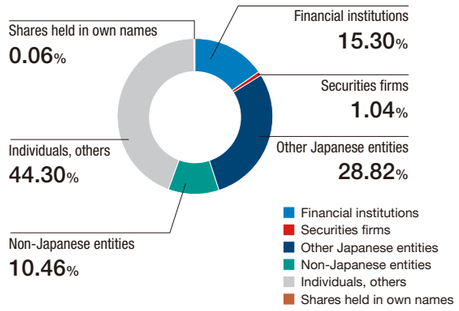
Name	Earth Corporation
Head office location	12-1, Kanda-Tsukasamachi 2 chome, Chiyoda-ku, Tokyo 101-0048, Japan
Founded	April 1, 1892
Established	August 26, 1925
Capital	10,043.62 million yen
Representative	Katsunori Kawabata, Representative Director, President & CEO
Business	Manufacturing, marketing, and import/export of pharmaceutical products, quasi-drugs, medical tools, household products, etc.
Employees (As of December 31, 2023)	Consolidated: 4,788 Non-consolidated: 1,358
URL	https://corp.earth.jp/en/
Audit firm	Ernst & Young ShinNihon LLC

Consolidated Subsidiaries	Domestic	• BATHCLIN Corporation • Hakugen Earth Co., Ltd. • Earth Pet Co., Ltd. • Earth Environmental Service Co., Ltd.
	Overseas	• Earth (Thailand) Co., Ltd. • Earth Corporation (Shanghai) • Earth Corporation (Tianjin) • Earth Corporation (Suzhou) • Earth Corporation Vietnam • EARTH HOME PRODUCTS (MALAYSIA) SDN. BHD. • EARTH HOMECARE PRODUCT (PHILIPPINES), INC.

Stock Information (As of December 31, 2023)

Listed stock exchange	Prime Market of the Tokyo Stock Exchange
Stock code	4985
Total number of shares authorized to be issued	64,000,000 shares
Total number of shares issued	22,141,100 shares
Number of shareholders	31,849

Distribution of shares per shareholder type



Major Shareholders (Top 10 shareholders)

Name or title	Number of shares held	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,228,800	10.07
Otsuka Pharmaceutical Co., Ltd.	2,200,000	9.94
Otsuka Pharmaceutical Factory, Inc.	1,948,500	8.80
Earth Corporation Employee Shareholding Association	1,053,700	4.76
Custody Bank of Japan, Ltd. (Trust Account)	610,900	2.76
Taiho Pharmaceutical Co., Ltd.	600,000	2.71
Otsuka Chemical Co., Ltd.	400,000	1.80
The Chugoku Bank, Ltd.	340,600	1.53
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS - UNITED KINGDOM	310,179	1.40
HSBC BANK PLC A/C M AND G (ACS) VALUE PARTNERS CHINA EQUITY FUND	290,600	1.31

* Ratio of shares held compared with the total number of shares issued, excluding treasury shares (14,296 shares)