

Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (Japanese GAAP)

February 13, 2023

Company name: Earth Corporation
Stock code: 4985

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

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

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

Ordinary annual general meeting of shareholders: March 24, 2023
Scheduled date for dividend payment: March 10, 2023
Scheduled date to file securities report: March 27, 2023
Preparation of supplemental explanatory materials: Yes
Results briefing to be held: Yes (For securities analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (January 1 to December 31, 2022)

(1) Consolidated operating results

(Percentages indicate YoY change)

	Sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended December 31, 2022	152,339	—	7,434	—	8,133	—	5,303	—
Fiscal year ended December 31, 2021	203,785	3.9	10,667	(6.6)	11,362	(2.6)	7,142	101.4

Note: Comprehensive income for the fiscal year ended December 31, 2022 was 6,457 million yen (—%), and comprehensive income for the fiscal year ended December 31, 2021 was 7,621 million yen (52.9%).

	Net income per share	Diluted net income per share	Ratio of net income to equity capital	Ratio of ordinary income to total assets	Operating income margin
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2022	240.47	—	8.6	6.6	4.9
Fiscal year ended December 31, 2021	323.76	—	12.4	9.4	5.2

Reference: Equity in earnings of affiliates Fiscal year ended December 31, 2022 **million yen Fiscal year ended December 31, 2021 **million yen

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

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Million yen
Fiscal year ended December 31, 2022	124,489	68,018	50.4	2,846.07
Fiscal year ended December 31, 2021	120,715	64,596	49.7	2,720.37

Reference: Equity capital amounted to 62,794 million yen as of December 31, 2022 and 59,958 million as of December 31, 2021.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended December 31, 2022	3,901	(6,266)	(4,464)	14,772
Fiscal year ended December 31, 2021	4,814	(3,220)	(4,610)	21,027

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended December 31, 2021	—	0.00	—	118.00	118.00	2,600	36.4	4.5
Fiscal year ended December 31, 2022	—	0.00	—	118.00	118.00	2,603	49.1	4.2
Fiscal year ending December 31, 2023 (forecast)	—	0.00	—	118.00	118.00		48.2	

3. Consolidated Earnings Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2022 to December 31, 2023)

(Percentages indicate rates of YoY change)

	Sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending June 30, 2023	93,500	4.7	10,800	(9.6)	10,900	(14.3)	6,900	(19.7)	312.73
Full-year	160,000	5.0	8,000	7.6	8,300	2.0	5,400	1.8	244.75

*Notes

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

Newly subsidiaries added: None
 Subsidiaries excluded: None

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

1. Accounting policy changes due to accounting standard revisions, etc.: Yes
 2. Other accounting policy changes: None
 3. Changes in accounting estimates: None
 4. Retrospective restatements: None

(3) Number of shares outstanding (common stock)

1. Shares outstanding (including treasury stock)	As of December 31, 2022	22,077,500	As of December 31, 2021	22,077,500
2. Treasury shares outstanding	As of December 31, 2022	13,782	As of December 31, 2021	36,939
3. Average number of shares outstanding	Fiscal year ended December 31, 2022	22,055,509	Fiscal year ended December 31, 2021	22,062,456

*Summaries of financial statements are not subject to audit through certified public accountants or auditing corporations.

*Appropriate use of earnings forecast and other special notes

The earnings forecasts and other forward-looking statements contained in this document are based on information currently available to the Company, and certain assumptions it considers reasonable, but are not intended to be a promise that the Company will achieve. Actual results may vary materially from forecasts due to a variety of factors. For more information regarding assumptions made when formulating earnings projections and matters to note when using these projections, please see "1. Overview of Operating Results, (4) Future Prospects" on page 6 of the accompanying materials.

Accompanying Materials — Contents

1. Overview of Business Results, etc.	2
(1) Overview of business results for the fiscal year under review	2
(2) Overview of financial position for the fiscal year under review.....	5
(3) Overview of cash flows for the fiscal year under review	5
(4) Future outlook	6
(5) Basic Policy concerning the Allocation of Profits and Dividends for Fiscal 2021 and Fiscal 2022	8
2. Basic Views on Selection of Accounting Standards.....	8
3. Consolidated Financial Statements and Primary Notes.....	9
(1) Consolidated Balance Sheet	9
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income.....	11
Consolidated Statement of Income	11
Consolidated Statement of Comprehensive Income.....	12
(3) Consolidated Statement of Changes in Equity	13
(4) Consolidated Statement of Cash Flows	16
(5) Notes to Consolidated Financial Statements	18
(Notes to going concern assumptions)	18
(Changes to accounting policies)	18
(Change in presentation of results)	19
(Segment information, etc.)	20
(Per share information)	25
(Significant subsequent events)	25
(6) Other	25

1. Overview of Business Results, etc.

(1) Overview of business results for the fiscal year under review

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

During the fiscal year ended December 31, 2022, Japan witnessed resumption of economic activity in the new era of coexistence with COVID-19 amid repeated resurgences of infections. Meanwhile, the Russia-Ukraine war, soaring energy prices, and the sharp depreciation of the yen had a substantial effect on corporate activity. Further, consumer sentiment weakened due to a steep rise in prices at an unprecedented pace against a backdrop of higher costs, dampening economic recovery.

Looking at Asia, the key region for the Earth Group's overseas operations, while the Chinese economy showed signs of recovery after extended lockdowns were lifted, the strict zero-COVID policy continued to remain in force. The Chinese government later announced that it would relax the policy, but this caused a surge in infections, clouding the outlook going forward. Meanwhile, in Southeast Asia, economic activity resumed after a period of stagnation caused by the pandemic, and the local economy is on a recovery track supported by robust local demand.

Under these economic conditions, the Company announced its medium-term management plan, "Act For SMILE-COMPASS 2023—" in February 2021. In accordance with the Company's corporate philosophy, "We act to live in harmony with the Earth," the plan includes four fundamental policies: "Reform Corporate Compass & Infrastructure," "Expand Profit Foundation in Asia," "ESG/Open Innovation," and "Generate Cost Synergies." The Company continued to implement priority measures associated with these policies in the fiscal year ended December 31, 2022.

In the fiscal year ended December 31, 2022, sales amounted to 152,339 million yen. In domestic sales of household insecticides and repellents, the Group's principal source of earnings, while the surge in demand spurred by the protracted pandemic began to wind down, performance of newly launched, high-priced products contributed to sales. However, due to inclement weather during the summer, overall sales of household insecticides and repellents were sluggish. Meanwhile, sales in the overseas markets, expansion of which the Group has positioned as a top priority in the medium-term management plan, continued to grow, and sales in the General Environment and Sanitation Business also rose owing to an increase in annual contracts against a backdrop of heightened need for sanitary management services. Profits were affected by a year-on-year increase in the cost of sales caused by the surge in raw material prices, forex rate fluctuations, and changes in the sales mix, as well as higher SG&A expenses. As a result, operating income for the year came to 7,434 million yen, ordinary income to 8,133 million yen, and net income attributable to owners of parent to 5,303 million yen.

Consolidated results for the fiscal year ended December 31, 2022

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ending December 31, 2022	(Ref.) FY12/22 results, excl. the impact of accounting standard change	YoY change, excl. the impact of accounting standard change
Sales	203,785	152,339	209,065	2.6%
Operating income	10,667	7,434	9,118	(14.5%)
Ordinary income	11,362	8,133	9,817	(13.6%)
Net income before income taxes	10,963	8,057	9,741	(11.1%)

Note: Due to the adoption of the Accounting Standard for Revenue Recognition, etc. from the beginning of the fiscal year under review, sales were reduced by 56,726 million yen and all profit categories from the operating income line down were reduced by 1,684 million yen.

Results by segment are as follows.

[Household Products Business]

In the Household Products Business, the Company strived to revitalize corresponding markets through advertising, the creation of attractive sales areas, and other means of communication with customers while cultivating new customers with the launch of

new products and updating existing products to improve their value. We also worked to improve profitability by reducing manufacturing costs and selling expenses. Overseas, we aggressively and effectively invested management resources mainly in Southeast Asia and otherwise worked to expand operations, generating higher sales primarily in Thailand and Vietnam.

In the fiscal year ended December 31, 2022, sales in the Households Products Business amounted to 136,486 million yen. For the mainstay household insecticides and repellents, market share grew as the Company cultivated new demand with the launch of high-value-added products, but sales were sluggish due to inclement weather during the summer in Japan with the temperatures falling below year-ago levels. However, sales of deodorizing air fresheners and cleaning products grew, as did overseas sales, making up for the lackluster performance of household insecticides and repellents. Segment income (operating income) was 5,909 million yen, affected by a year-on-year rise in the cost of sales due to soaring raw material prices, forex-rate fluctuations, and changes in the sales mix.

Results in the Household Products Business

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022	(Ref.) FY12/22 results, excl. the impact of accounting standard change	YoY change, excl. the impact of accounting standard change
Sales	188,493	136,486	193,204	2.5%
Segment income (operating income)	9,944	5,909	7,583	(23.7%)

Notes: 1. Sales include internal sales and transfers made within and between segments, which amounted to 11,804 million yen during the fiscal year ended December 31, 2021 and 11,957 million yen during the fiscal year ended December 31, 2022.

2. Due to the adoption of the Accounting Standard for Revenue Recognition, etc. from the beginning of the fiscal year under review, sales decreased by 56,718 million yen and segment income decreased by 1,677 million yen.

Results by product category are as follows.

Household insecticides and repellents

In Japan, sales of household insecticides and repellents for flies and mosquitoes as well as those for cockroaches, the mainstay for this category, declined as did their market size, due to temperatures trending below year-ago levels between May and mid-June, the peak shipping season for these products, and unseasonable weather that persisted intermittently throughout the summer. Meanwhile, in terms of products for combatting ticks and other unpleasant pests, sales of which have been growing recently, the Company launched high-value-added, high-priced products *MAMO ROOM* and *Iyana Mushi ZEROdeKNIGHT*, which drove growth in market share to 56.3% (the Company estimate, +0.4pp year-on-year).

Overseas, sales in China slumped as sales activities were restricted due to the country's zero-COVID policy, but sales in the ASEAN region, including in Thailand and Vietnam, where economic recovery is ongoing, expanded.

As a result of the above, sales in this category totaled 59,368 million yen.

Household products

Sales of oral hygiene products amounted to 8,191 million yen, thanks to higher sales of *Mondahmin* mouthwash backed by market growth despite intensified competition.

The bath salt market, which has expanded amid the pandemic, maintained its expanded size, and as more people sought to have an enjoyable bath experience, consumer needs for bath salts have diversified. Under these conditions, sales of bath salts *Kikiyu* (granule-type), *Nihon no Meito* (bubble bath), and *Awapi* (for children) were brisk, with sales amounting to 26,946 million yen.

In other product areas, sales of cold and hot packs (refrigerants and insulating packs) increased year-on-year owing to energy-saving needs. Sales of *Sukkiri!* series of deodorizing air fresheners and *Raku Hapi* series of cleaning products also contributed, bringing other product sales to 33,137 million yen.

As a result of the above, sales in this category totaled 68,275 million yen.

Pet products and others

In pet products, sales benefited from an increase in pet ownership as people spent more time at home, as well as an increase in time spent caring for pets. Under these circumstances, sales of towel cleaners and other pet care products grew as pet owners sought to provide a more comfortable living environment for their pets. The Company actively rolled out measures to boost sales, including opening the Earth Pet House, a satellite store for pet care products. As a result, sales in this category came to 8,843 million yen.

[General Environment and Sanitation Business]

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

Under these circumstances, the Company aggressively invested in the construction of an internal structure, including for the installation and development of systems aimed at cultivating human resources and improving operational efficiency, to better respond to customer needs. At the same time, we stepped up efforts in technology development, including by engaging in industry-academia-government collaborations, to provide sanitary management services that stand apart from competitors' offerings, and in doing so maintained existing contracts while acquiring new ones and secured an appropriate level of profit. We implemented various measures targeting the pharmaceutical and regenerative medicine industries in particular, and continued strengthening audit and consulting operations related to food safety management.

In the fiscal year ended December 31, 2022, while performance was affected by a higher cost ratio and an increase in personnel expenses attributed to aggressive investment in human resources, the number of annual contracts grew, boosting overall segment results. Accordingly, sales in the General Environment and Sanitation Business amounted to 27,973 million yen and the segment income (operating income) to 1,430 million yen.

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022	(Ref.) FY12/22 results, excl. the impact of accounting standard change	YoY change, excl. the impact of accounting standard change
Sales	27,234	27,973	27,981	2.7%
Segment income (operating income)	1,114	1,430	1,437	29.0%

Notes: 1. Sales include internal sales and transfers made within and between segments, which amounted to 138 million yen in the fiscal year ended December 31, 2021 and 163 million yen in the fiscal year ended December 31, 2022.

2. Due to the adoption of the Accounting Standard for Revenue Recognition, etc. from the beginning of the fiscal year under review, sales decreased by 7 million yen and segment income decreased by 7 million yen.

(2) Overview of financial position for the fiscal year under review

(Consolidated financial position)

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022	Change
Total assets	120,715	124,489	3,774
Liabilities	56,118	56,470	352
Net assets	64,596	68,018	3,421
Equity ratio (%)	49.7	50.4	0.7 points
Net assets per share (yen)	2,720.37	2,846.07	125.7

As of December 31, 2022, total assets amounted to 124,489 million yen, up 3,774 million yen compared to December 31, 2021. This was mainly due to increases in accounts receivable–trade, inventories, construction in progress, and retirement benefit assets, offsetting decreases in cash and cash equivalents, investment securities, and goodwill.

Total liabilities amounted to 56,470 million yen, up 352 million yen compared to December 31, 2021. This was mainly attributed to increases in accounts payable–trade, electronically recorded obligations–operating, and refund liabilities, partially offset by decreases in borrowings, accounts payable–other, and income taxes payable.

Net assets rose to 68,018 million yen, up 3,421 million yen compared to December 31, 2021. This growth was chiefly due to an increase in retained earnings.

Consequently, the Company's equity ratio rose to 50.4%, an increase of 0.7 points compared to December 31, 2021.

Reference: Cash flow-related indicators

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Equity ratio (%)	37.0	37.3	46.1	49.7	50.4
Equity ratio on a fair market value basis (%)	93.4	107.4	107.1	111.9	89.7
Interest-bearing debt to cash flow ratio (annual)	62.1	2.1	0.2	0.8	0.6
Interest coverage ratio	24.2	105.3	549.6	634.1	285.9

(3) Overview of cash flows for the fiscal year under review

(Consolidated cash flow)

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022	Change
Cash flows from operating activities	4,814	3,901	(912)
Cash flows from investing activities	(3,220)	(6,266)	(3,046)
Cash flows from financing activities	(4,610)	(4,464)	145
Effect of exchange rate change on cash and cash equivalents	327	447	120
Net increase (decrease) in cash and cash equivalents	(2,688)	(6,381)	(3,693)
Cash and cash equivalents at end of period	21,027	14,772	(6,254)

As of December 31, 2022, cash and cash equivalents (below, "cash") stood at 14,772 million yen, down 6,254 million yen compared to December 31, 2021.

In the fiscal year ended December 31, 2022, net cash provided by operating activities amounted to 3,901 million yen (versus 4,814 million yen in the fiscal year ended December 31, 2021). This mainly reflected 8,057 million yen in profit before income taxes (10,963 million yen), a 4,266 million yen increase in inventories (5,114 million yen), a 1,338 million yen increase in accounts receivable–trade (161 million yen), a 2,997 million yen increase in accounts payable–trade (668 million yen), 429 million yen in goodwill amortization (1,836 million yen), and 2,830 million yen in income taxes paid (5,562 million yen).

Net cash used in investing activities was 6,266 million yen (3,220 million yen used in the fiscal year ended December 31, 2021). This figure primarily consisted of 4,893 million yen in purchase of property, plant, and equipment (2,616 million yen), 999 million yen in purchase of intangible assets (286 million yen), and 539 million yen in gain on the sale of investment securities (68 million yen).

Net cash used in financing activities amounted to 4,464 million yen (4,610 million yen used in the fiscal year ended December 31, 2021). Cash used consisted mainly of 2,600 million yen in dividends paid (2,536 million yen in the fiscal year ended December 31, 2021) and 1,021 million yen in repayments of long-term borrowings (1,314 million yen in the fiscal year ended December 31, 2021).

(4) Future outlook

While economic activity began to pick up in Japan under the new era of coexistence with the COVID-19, the outlook continues to remain uncertain due to a stagnation in corporate activity caused by soaring raw material prices and forex rate fluctuations, and weak consumer sentiment. Additionally, business environments surrounding the industries in which Earth Corporation develops its products and services continue to change on a daily basis due to a variety of factors, including growth in buying power stemming from M&A among retailers, expansion in e-commerce channels, fragmentation of customer needs, and trends in raw material prices.

Under these circumstances, the Group will continue to focus on “creating a market with customers” in accordance with its corporate philosophy of acting to “to live in harmony with the Earth” as it simultaneously contributes to the achievement of the Sustainable Development Goals (SDGs). Additionally, in accordance with its medium-term management plan, “Act For SMILE—COMPASS 2023—” (in effect until the end of 2023), the Company will remain conscious of capital efficiency while conducting management that further enhances profitability.

In terms of overseas expansion, which is currently Earth Corporation’s most important growth driver, the Company will improve profitability and establish a foundation for earnings by maintaining local subsidiaries in China and other ASEAN regions (its primary target areas for expansion) and proactively investing its management resources. The Company will explore business potential in regions and countries where growth is anticipated, and pioneer new markets. Further, with regard to strategies associated with exports and cross-border e-commerce, the Company will aim to generate earnings by focusing on highly profitable products and through the development and introduction of products that meet the needs of each country in which it operates.

In Japan, amid changes in the external environment caused by climate change and the COVID-19 pandemic, we will continue to launch new products and services while overhauling existing ones, and conduct promotional campaigns and develop new sales channels with the aim of enhancing profitability. Additionally, Earth Corporation will leverage the experience and knowledge it has accumulated as a leader in the field of household insecticides and repellents as it promotes the MA-T (Matching Transformation) System®, an innovative catalytic technology developed in Japan. The Company believes that its mission includes enhancing the credibility of the MA-T System throughout society, expanding positive economic impact through the creation of new industries, and exploring possible solutions to social issues. Through the platform provided by Japan MA-T Industrial Association, Earth Corporation will collaborate with a wide range of companies, research institutes, and organizations as it attempts to augment the value of MA-T and facilitate its utilization across a broad spectrum of industries.

Earth Corporation is evaluating the results of these activities in each of its individual business divisions and categories, gradually establishing profit management indicators that enable it to closely monitor profitability. At the same time, the Company is striving to increase its investment efficiency moving forward. In support of these efforts, it maintains an awareness of capital costs when formulating hurdle rates for individual investment projects. Additionally, the Company will actively invest in a variety of large-scale system-related projects that aim to generate work style reforms and improve labor productivity, including upgrades to core systems and Group ICT infrastructure.

Incorporating impact from these efforts, the Company’s full-year consolidated earnings forecast for the fiscal year ending December 31, 2023 calls for 160,000 million yen (+5.0% year-on-year) in sales, 8,000 million yen (+7.6% year-on-year) in operating income, 8,300 million yen (+2.0% year-on-year) in ordinary income, and 5,400 million yen (+1.8% year-on-year) in net income attributable to owners of parent.

Included below are forecasts for each of the Company’s business segments.

[Household Products Business]

In the Household Products Business, the Company expects demand for its products to hold firm even as shelter-in-place demand

shows signs of winding down, as lifestyle changes brought about by the pandemic take root in the new era of coexistence with COVID-19. At the same time, we expect soaring raw material prices and the weak yen to continue weighing on our performance for the time being. Under these circumstances, we will aim to secure profit necessary to maintain growth, and while striving to maintain sales growth, we will introduce price revisions to better reflect the rise in raw material prices, appropriately distribute management resources, and enhance cost efficiency.

Regarding the sale of household insecticides and repellents in Japan, the principal source of earnings for the Group, the Company anticipates continued contributions from new customer demand cultivated in the market that underwent a pandemic-driven change. The Company will expand the lineup of high-priced, high-value-added products focused on “prevention,” curtail manufacturing costs, run effective promotions using SNS, improve the efficiency of selling costs, and lower return rates by expanding steady sellers. In household products, we will work to secure market share and earnings in the mainstay categories of oral hygiene products, bath salts, and deodorizing air fresheners, and create new markets. To this end, we intend to create buzz by launching high-value-added products and running promotions, and develop e-commerce and other new sales channels.

With regard to overseas expansion, we will develop products and implement sales measures that satisfy the unique needs of each of the countries in which we operate. Through these efforts, we will ensure response that is appropriate for the different climates, cultures, preferences, and laws and regulations associated with each of these countries. Our local subsidiary in Thailand will aim for further growth through a focus on business categories where it can leverage the Earth Group’s competitive advantage and efforts to raise brand recognition, all the while improving its profit structure through efficient investment in marketing. Our local subsidiary in Vietnam will proactively launch new products aimed at increasing market share and work to enhance profitability. Further, we will take advantage of the country’s favorable geographic location by continuing to invest in the local subsidiary as a major production base for our medium- to long-term overseas expansion. Through our local subsidiary in Malaysia, we plan to revise and bolster sales strategies and launch household insecticides and repellents as well as air fresheners to expand earnings. In the Philippines, also through our local subsidiary, we will focus primarily on expanding the lineup of household insecticides and repellents to increase brand recognition.

In China, while the impact of the pandemic is likely to persist going forward, we will strive to enhance earnings efficiency by developing new sales channels and launching products that take advantage of the Group’s competitive advantage, including household insecticides and repellents, mouthwash, and cleaning products.

In the meantime, we will aim to secure adequate profits through ongoing efforts aimed at lowering manufacturing- and sales-related costs, cutting down on product returns, and limiting marketing expenditures.

Consequently, we project segment sales of 142,156 million yen (+4.2% year-on-year) and segment income (operating income) of 6,750 million yen (+14.3% year-on-year) in the Household Products Business.

[General Environment and Sanitation Business]

The core customers of our General Environment and Sanitation Business (primarily companies associated with the food, pharmaceutical, and packaging material industries) are facing stringent requirements regarding the establishment of hygiene management measures aimed at preventing food poisoning and contamination through foreign matter. Accordingly, they are exhibiting growing need for the high-quality hygiene management services that Earth Corporation provides using its specialized knowledge, technology, and expertise.

In response to these circumstances, we will envision an ideal environment from the perspective of humans and society. While positioning the existing sanitary management services as the pillar of the segment, we will apply expertise and technologies we have accumulated thus far to flexibly and proactively contribute to realizing the environment we have envisioned, which also encompasses the natural environment, and a more prosperous future.

Specifically, we will utilize the Saito General Research Institute as a base for promoting research, technological development, and the training of human resources. At the same time, we will provide services utilizing digital technologies such as IoT and AI, expand auditing activities related to food safety, and step up expansion in the life science field as we aim to achieve stable earnings growth through an increase in annual contracts.

Based on these factors, we project segment sales of 28,500 million yen (+1.9% year-on-year) and segment income (operating income) of 1,450 million yen (+1.4% year-on-year) in the General Environment and Sanitation Business.

(5) Basic Policy concerning the Allocation of Profits and Dividends for Fiscal 2021 and Fiscal 2022

We view the return of profits to our shareholders as an important management issue, and accordingly strive to ensure stable dividends while securing internal reserves in pursuit of sustainable growth and the maintenance of a sound management structure.

The Company will primarily use internal reserves for strategic investments and M&A targeting an expanded revenue base in Asia, investment in core system upgrades and other ICT infrastructure construction projects, research and development expected to lead to open innovation, and capital investment aimed at improving production efficiency. In addition, the Company will consider conducting share buybacks in flexible accordance with cash flow conditions and stock price trends.

In terms of dividends of surplus, we target a dividend on equity ratio (DOE) of 4–5 % in the aim of paying stable, continuous dividends.

Based on these policies, the Board of Directors of the Company has resolved to pay 118 yen per share for the fiscal year ended December 31, 2022, taking into account earnings performance for the year and funds necessary for future growth. As a result, we now project a DOE ratio of 4.2% and a consolidated dividend payout ratio of 49.1%.

The Company also plans to pay 118 yen per share in full-year dividends in the fiscal year ending December 31, 2023.

2. Basic Views on Selection of Accounting Standards

Over the near term, the Company will prepare its financial statements based on Japanese generally accepted accounting principles (GAAP), taking into account the inter-period comparability of financial statements and comparability across companies.

In terms of the application of International Financial Reporting Standards (IFRS), the Company will take appropriate measures in light of the existing circumstances in Japan and overseas.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	Fiscal year ended December 31, 2021 (as of December 31, 2021)	Fiscal year ended December 31, 2022 (as of December 31, 2022)
Assets		
Current assets		
Cash and deposits	21,027	14,772
Notes and accounts receivable – trade	21,210	22,321
Electronically recorded obligations - operating	1,730	1,842
Merchandise and finished goods	21,622	25,617
Work in process	1,315	1,435
Raw materials and supplies	4,564	5,200
Other	2,568	2,795
Allowance for doubtful accounts	(20)	(22)
Total current assets	74,018	73,962
Non-current assets		
Property, plant and equipment		
Buildings and structures	29,489	30,174
Accumulated depreciation and impairment	(15,884)	(16,336)
Buildings and structures, net	13,604	13,837
Machinery, equipment and vehicles	16,536	16,770
Accumulated depreciation and impairment	(12,426)	(12,785)
Machinery, equipment and vehicles, net	4,110	3,985
Land	7,873	7,787
Leased assets	255	320
Accumulated depreciation and impairment	(79)	(131)
Leased assets, net	176	188
Construction in progress	253	2,114
Other	9,198	9,499
Accumulated depreciation and impairment	(7,666)	(7,927)
Other, net	1,532	1,571
Total property, plant and equipment	27,551	29,483
Intangible assets		
Trademark right	975	1,233
Software	1,515	1,432
Goodwill	423	105
Customer-related assets	1,073	1,643
Other	288	940
Total intangible assets	4,276	5,355
Investments and other assets		
Investment securities	6,025	5,261
Retirement benefit asset	6,114	7,336
Deferred tax assets	1,132	1,001
Other	1,612	2,105
Allowance for doubtful accounts	(16)	(16)
Total investments and other assets	14,868	15,688
Total non-current assets	46,696	50,527
Total assets	120,715	124,489

(Millions of yen)

	Fiscal year ended December 31, 2021 (as of December 31, 2021)	Fiscal year ended December 31, 2022 (as of December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable – trade	22,617	24,236
Electronically recorded obligations - operating	9,832	11,288
Short-term borrowings	1,480	1,000
Current portion of long-term borrowings	1,018	1,200
Accounts payable – other	10,721	7,477
Income taxes payable	1,520	426
Accrued consumption taxes	526	612
Provision for bonuses	255	240
Provision for sales returns	434	—
Refund liabilities	—	1,010
Other	3,892	5,849
Total current liabilities	52,300	53,341
Non-current liabilities		
Long-term borrowings	1,200	—
Deferred tax liabilities	1,178	1,815
Retirement benefit liability	382	314
Asset retirement obligations	516	479
Other	540	520
Total non-current liabilities	3,818	3,129
Total liabilities	56,118	56,470
Net assets		
Shareholders' equity		
Share capital	9,895	9,895
Capital surplus	9,928	9,917
Retained earnings	37,929	39,897
Treasury shares	(215)	(79)
Total shareholders' equity	57,537	59,631
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,297	1,109
Foreign currency translation adjustment	(22)	698
Remeasurements of defined benefit plans	1,146	1,354
Total accumulated other comprehensive income	2,421	3,163
Non-controlling interests	4,638	5,224
Total net assets	64,596	68,018
Total liabilities and net assets	120,715	124,489

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

Consolidated Statement of Income

(Millions of yen)

	Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)
Sales	203,785	152,339
Cost of sales	121,451	89,870
Gross profit	82,334	62,468
Selling, general and administrative expenses		
Transportation and storage costs	6,662	7,067
Advertising expenses	8,392	7,393
Promotion expenses	17,098	1,029
Provision of allowance for doubtful accounts	12	2
Salaries and allowances	17,587	17,591
Provision for bonuses	202	189
Travel and transportation expenses	1,092	1,317
Depreciation	1,277	1,475
Amortization of goodwill	1,836	429
Rent expenses on land and buildings	1,435	1,488
Research and development expenses	3,172	3,217
Other	12,895	13,831
Total selling, general and administrative expenses	71,666	55,034
Operating income	10,667	7,434
Non-operating income		
Interest income	85	121
Dividend income	141	77
Foreign exchange gains	157	226
Commission income	27	28
Rental income from buildings	46	45
Other	300	247
Total non-operating income	759	747
Non-operating expenses		
Interest expenses	16	23
Compensation for damage	30	—
Other	18	24
Total non-operating expenses	65	47
Ordinary income	11,362	8,133
Extraordinary income		
Gain on sale of non-current assets	121	29
Gain on sale of investment securities	32	10
Total extraordinary income	153	40
Extraordinary losses		
Loss on sale of non-current assets	8	8
Loss on retirement of non-current assets	174	107
Impairment losses	368	—
Loss on valuation of investment securities	1	0
Total extraordinary losses	553	116
Net income before income taxes	10,963	8,057
Income taxes – current	3,455	1,742
Income taxes – deferred	80	674
Total income taxes	3,536	2,417
Net income	7,426	5,639
Net income attributable to non-controlling interests	283	336
Net income attributable to owners of parent	7,142	5,303

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)
Net income	7,426	5,639
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,414)	(184)
Foreign currency translation adjustment	767	716
Remeasurements of defined benefit plans, net of tax	841	285
Total other comprehensive income	194	817
Comprehensive income	7,621	6,457
(Breakdown)		
Comprehensive income attributable to owners of parent	7,259	6,045
Comprehensive income attributable to non-controlling interests	361	412

(3) Consolidated Statement of Changes in Equity

Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	9,829	9,859	33,322	(17)	52,994
Changes of items during period					
Issuance of new shares	65	65			131
Dividends of surplus			(2,536)		(2,536)
Net income attributable to owners of parent			7,142		7,142
Purchase of treasury shares				(198)	(198)
Change in ownership interest of parent due to transactions with noncontrolling interests		2			2
Net changes in items other than shareholders' equity					
Total changes of items during period	65	68	4,606	(198)	4,542
Balance at end of current period	9,895	9,928	37,929	(215)	57,537

(Millions of yen)

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans		
Balance at beginning of current period	2,723	(789)	371	4,524	59,823
Changes of items during period					
Issuance of new shares					131
Dividends of surplus					(2,536)
Net income attributable to owners of parent					7,142
Purchase of treasury shares					(198)
Change in ownership interest of parent due to transactions with noncontrolling interests					2
Net changes in items other than shareholders' equity	(1,425)	767	775	113	230
Total changes of items during period	(1,425)	767	775	113	4,773
Balance at end of current period	1,297	(22)	1,146	4,638	64,596

Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	9,895	9,928	37,929	(215)	57,537
Cumulative effects of changes in accounting policies			(542)		(542)
Restated balance	9,895	9,928	37,387	(215)	56,995
Changes of items during period					
Issuance of new shares					—
Dividends of surplus			(2,600)		(2,600)
Net income attributable to owners of parent			5,303		5,303
Purchase of treasury shares				(99)	(99)
Disposal of treasury shares		(12)		236	224
Change in scope of consolidation			(192)		(192)
Change in ownership interest of parent due to transactions with non-controlling interests		1			1
Net changes in items other than shareholders' equity					
Total changes of items during period	—	(10)	2,510	136	2,636
Balance at end of current period	9,895	9,917	39,897	(79)	59,631

(Millions of yen)

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans		
Balance at beginning of current period	1,297	(22)	1,146	4,638	64,596
Cumulative effects of changes in accounting policies				(66)	(608)
Restated balance	1,297	(22)	1,146	4,572	63,988
Changes of items during period					
Issuance of new shares					—
Dividends of surplus					(2,600)
Net income attributable to owners of parent					5,303
Purchase of treasury shares					(99)
Disposal of treasury shares					224
Change in scope of consolidation					(192)

(Millions of yen)

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans		
Change in ownership interest of parent due to transactions with non-controlling interests					1
Net changes in items other than shareholders' equity	(188)	721	208	651	1,393
Total changes of items during period	(188)	721	208	651	4,030
Balance at end of current period	1,109	698	1,354	5,224	68,018

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)
Cash flows from operating activities		
Profit before income taxes	10,963	8,057
Depreciation	3,536	3,852
Impairment losses	368	—
Amortization of goodwill	1,836	429
Increase (decrease) in retirement benefit assets and liabilities	(635)	(882)
Increase (decrease) in allowance for doubtful accounts	9	0
Interest and dividend income	(227)	(198)
Interest expenses	16	23
Foreign exchange losses (gains)	(33)	(217)
Loss (gain) on sale of investment securities	(32)	(10)
Loss (gain) on valuation of investment securities	1	0
Decrease (increase) in trade receivables	(161)	(1,338)
Decrease (increase) in inventories	(5,114)	(4,266)
Decrease (increase) in other assets	(271)	(367)
Increase (decrease) in trade payables	668	2,997
Increase (decrease) in other liabilities	(597)	(2,165)
Other	(161)	645
Subtotal	10,165	6,557
Interest and dividends received	227	198
Interest paid	(16)	(23)
Income taxes paid	(5,562)	(2,830)
Net cash provided by (used in) operating activities	4,814	3,901
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,616)	(4,893)
Proceeds from sale of property, plant and equipment	186	175
Purchase of intangible assets	(286)	(999)
Purchase of investment securities	(101)	(20)
Proceeds from sale of investment securities	68	539
Purchase of shares of subsidiaries and associates	—	(163)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(722)
Other payments	(518)	(1,307)
Other proceeds	48	126
Net cash provided by (used in) investing activities	(3,220)	(6,266)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(274)	(532)
Repayments of long-term borrowings	(1,314)	(1,021)
Purchase of treasury shares	(198)	(99)
Purchase of treasury shares of subsidiaries	(86)	(3)
Dividends paid	(2,536)	(2,600)
Dividends paid to non-controlling interests	(158)	(155)
Other	(41)	(51)

(Millions of yen)

	Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)
Net cash provided by (used in) financing activities	(4,610)	(4,464)
Effect of exchange rate change on cash and cash equivalents	327	447
Net increase (decrease) in cash and cash equivalents	(2,688)	(6,381)
Cash and cash equivalents at beginning of period	23,716	21,027
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	126
Cash and cash equivalents at end of period	21,027	14,772

(5) Notes to Consolidated Financial Statements

(Notes to going concern assumptions)

None to be reported.

(Changes to accounting policies)

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

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

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

(1) Change in the timing of revenue recognition

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

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

(2) Considerations payable to customers

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

(3) Products sales with rights of return

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

(4) Revenue recognition for agent transactions

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

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

balance at the beginning of said period.

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

As a result, in the fiscal year under review, sales were reduced by 56,726 million yen, cost of sales by 38,780 million yen, and SG&A expenses by 16,261 million yen, and operating income, ordinary income, and net income before income taxes were each reduced by 1,684 million yen. The balance of retained earnings at the beginning of the period under review was down by 542 million yen, and the balance of non-controlling interests at the beginning of the said period was down by 66 million yen.

Further, net assets per share for the fiscal year under review was lowered by 77.35 yen, and earnings per share by 52.81 yen.

As a result of the application of the Accounting Standard for Revenue Recognition, etc., provisions for sales returns shown under the current liabilities section of the consolidated balance sheet for the previous fiscal year ended December 31, 2021 are shown as return assets included in other under the current assets section and as refund liabilities under the current liabilities section of the balance sheet from the fiscal year under review ended December 31, 2022. Note that in accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Group has not reclassified the amounts reported in the previous fiscal year using the new representation method. Further, in accordance with the transitional treatment set forth in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, the Group has not provided any notes on revenue recognition related to the previous fiscal year.

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

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

(Change in presentation of results)

(Changes to consolidated balance sheet)

In the fiscal year under review ended December 31, 2022, we have separately presented trademark, software, and customer-related assets previously included in other under intangible assets to enhance the clarity of consolidated balance sheet display. To reflect this change in presentation, we have retroactively revised the consolidated balance sheet for the previous fiscal year ended December 31, 2021, replacing 3,853 million yen shown as other under intangible assets with trademark right, 975 million yen, software, 1,515 million yen, customer-related assets, 1,073 million yen, and other, 288 million yen.

(Changes to consolidated statement of cash flows)

In the fiscal year under review ended December 31, 2022, we have separately presented purchase of intangible assets previously included in other payments under cash flows from investing activities to enhance the clarity of the display of consolidated cash flow statements. To reflect this change in presentation, we have retroactively revised the statement of cash flows for the previous fiscal year ended December 31, 2021, replacing (805) million yen shown as other payments under cash flows from investing activities with purchase of intangible assets, (286) million yen and other payments, (518) million yen.

(Segment information, etc.)

a. Segment information

1. Overview of reportable segments

Earth Corporation's reportable segments represent constituent units of the Company's corporate group for which separate financial information is available. These segments are subject to periodic reviews conducted by the Company's Board of Directors with the aim of evaluating business performance and facilitating decisions regarding the allocation of management resources.

Earth Corporation maintains a Household Products Business and a General Environment and Sanitation Business, and these two businesses constitute the Company's reportable segments.

Through its Household Products Business, the Company manufactures, sells, purchases, imports, and exports a variety of products, including household insecticides and repellents; gardening supplies; household products (mouthwash, denture-related supplies, toothpaste and associated products, bath salts, deodorizing air fresheners, etc.); pet products; chemical agents used for communicable disease control and in the fields of agriculture, forestry, and animal husbandry; and raw materials for overseas markets.

Through General Environment and Sanitation Business, the Company provides hygiene management services for facilities such as factories and hospitals.

2. Method for calculating sales, profit or loss, assets, liabilities and other items for each reportable segment

We apply the same accounting methods for all reportable segments as the ones we use to prepare consolidated financial statements.

The income figures of our reportable segments indicate operating income generated through these segments.

Intersegment sales and transfers are based on prevailing market prices.

3. Sales, income or loss, assets, liabilities and other items for each reportable segment

Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

	Reportable segments			Adjustments* ²	Amount recorded in consolidated financial statements* ³
	Household Products Business	General Environment and Sanitation Business	Total		
Sales					
Sales generated through external customers	176,689	27,095	203,785	—	203,785
Intersegment sales and transfers* ¹	11,804	138	11,942	(11,942)	—
Total	188,493	27,234	215,728	(11,942)	203,785
Segment income	9,944	1,114	11,059	(391)	10,667
Segment assets	124,919	16,959	141,879	(21,163)	120,715
Other items					
Depreciation* ⁴	3,115	421	3,536	—	3,536
Amortization of goodwill	1,836	—	1,836	—	1,836
Increases in tangible and intangible non-current assets* ⁴	2,721	369	3,090	—	3,090

Notes: 1. Includes internal sales within and among segments

2. Adjustments were as follows:

(1) The 391 million-yen downward adjustment to segment income comprised eliminations of intersegment transactions.

(2) The 21,163 million-yen downward adjustment to segment assets is comprises eliminations of intersegment transactions.

3. Segment income (losses) are adjusted according to the amount of operating income indicated on the consolidated statements of income.
4. "Depreciation" and "Increase in tangible and intangible non-current assets" include both amortization of, and increases in, long-term prepaid expenses.

Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Millions of yen)					
	Reportable segments			Adjustments* ²	Amount recorded in consolidated financial statements* ³
	Household Products Business	General Environment and Sanitation Business	Total		
Sales					
Sales generated through external customers	124,529	27,809	152,339	—	152,339
Intersegment sales and transfers* ¹	11,957	163	12,121	(12,121)	—
Total	136,486	27,973	164,460	(12,121)	152,339
Segment income	5,909	1,430	7,339	94	7,434
Segment assets	130,579	17,748	148,328	(23,838)	124,489
Other items					
Depreciation* ⁴	3,430	421	3,852	—	3,852
Amortization of goodwill	429	—	429	—	429
Increases in tangible and intangible non-current assets* ⁴	5,737	259	5,997	—	5,997

Notes: 1. Includes internal sales within and among segments

2. Adjustments were as follows:

(1) The 94 million yen adjustment to segment income comprised eliminations of intersegment transactions.

(2) The 23,838 million-yen downward adjustment to segment assets is comprises eliminations of intersegment transactions.

3. Segment income (losses) are adjusted according to the amount of operating income indicated on the consolidated statements of income.

4. "Depreciation" and "Increase in tangible and intangible non-current assets" include both amortization of, and increases in, long-term prepaid expenses.

b. Related information

Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

1. Information by product and service

(Millions of yen)					
	Household insecticides and repellents	Household products	Pet products and others	General Environment and Sanitation	Total
Sales generated through external customers	62,858	105,158	8,672	27,095	203,785

2. Information about geographical areas

(1) Sales

Sales by geographical area have been omitted because sales generated through external customers in Japan accounted for more than 90% of sales reported on the Company's consolidated statement of income.

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Thailand	Other	Total
25,010	1,010	1,425	105	27,551

3. Information by the major customer

(Millions of yen)

Customer name or title	Sales	Name of related segment
PALTAC Corporation	42,459	Household Products Business
ARATA Corporation	35,971	Household Products Business

Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

1. Information by product and service

(Millions of yen)

	Household insecticides and repellents	Household products	Pet products and others	General Environment and Sanitation	Total
Sales generated through external customers	53,099	63,205	8,224	27,809	152,339

2. Information about geographical areas

(1) Sales

Sales by geographical area have been omitted because sales generated through external customers in Japan accounted for more than 90% of sales reported on the Company's consolidated statement of income.

(2) Property, plant and equipment

(Millions of yen)

Japan	China	Thailand	Other	Total
26,844	964	1,513	161	29,483

3. Information by the major customer

(Millions of yen)

Customer name or title	Sales	Name of related segment
PALTAC Corporation	39,209	Household Products Business
ARATA Corporation	37,414	Household Products Business
Alfresa Healthcare Corporation	19,422	Household Products Business

c. Information about impairment loss on non-current assets by reportable segment

Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(Millions of yen)

	Reportable segments			Adjustments	Total
	Household Products Business	General Environment and Sanitation Business	Total		
Impairment losses	311	57	368	—	368

Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

None to be reported.

d. Amortization of goodwill and unamortized goodwill by reportable segment

Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(Millions of yen)

	Reportable segments			Adjustments	Total
	Household Products Business	General Environment and Sanitation Business	Total		
Amortization of goodwill	1,836	—	1,836	—	1,836
Unamortized goodwill	423	—	423	—	423

Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Millions of yen)

	Reportable segments			Adjustments	Total
	Household Products Business	General Environment and Sanitation Business	Total		
Amortization of goodwill	429	—	429	—	429
Unamortized goodwill	105	—	105	—	105

4. Matters relating to changes in the reportable segments

As stated under Change to accounting policies above, the Company applied the Accounting Standard for Revenue Recognition from the fiscal year ended December 31, 2022 and accordingly revised accounting procedures related to revenue recognition. Methods of calculating profit and loss for each reportable segment have also been changed.

Due to the adoption of the new accounting standard, sales in the Household Products Business in the fiscal year under review were reduced by 56,718 million yen and segment income by 1,677 million yen, and sales and segment income in the General Environment and Sanitation Business were each reduced by 7 million yen, compared with what they would have been under the previous accounting standard.

(Per share information)

	Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)
Net assets per share	2,720.37 yen	2,846.07 yen
Net income per share	323.76 yen	240.47 yen

Notes: 1. Due to a lack of dilutive shares, diluted net income per share for the fiscal years ended December 31, 2021 and 2022 have been omitted.

2. The basis for calculating loss per share is as follows:

Item		Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)
Net income attributable to owners of parent	(millions of yen)	7,142	5,303
Amount not attributable to common shareholders	(millions of yen)	—	—
Net income attributable to owners of parent attributable to common stock	(millions of yen)	7,142	5,303
Average number of common stock outstanding during the fiscal year	(thousands of shares)	22,062	22,055

(Significant subsequent events)

None to be reported.

(6) Other

For further details, please refer to the announcement entitled "Notice of Change of Directors" released on February 13, 2023.