



# Earnings Briefing Materials for the Fiscal Year Ended December 2023 and the New Mid-term Business Plan

02/14/2024

**Earth Corporation**

Good morning everyone.

I'd like to start by thanking you for joining us at such an early hour.

Yesterday, the Company released earnings for the fiscal year ended December 2023, together with the guidance for fiscal year 2024 and the new Medium-Term Business Plan.

We would like to use today's presentation to go over these in detail.

Realized results were approximately half what the forecast called for, so we believe stakeholders probably have a number of questions on this front.

We will address these to the best of our ability, so we welcome you to stay with us for the duration of today's earnings brief, which is expected to go on for about an hour.

We would now like to begin today's presentation, during which I will be addressing stakeholders toward the end.



# Earth Corporation

## Financial Result Highlights of FY 12/2023

---

Good morning everyone. My name is Yasunori Sakamoto, Head of the Finance Management Department at the Earth Corporation.

Starting in March, I will be taking on a new role within the Earth Group, so today marks my last time participating in the Company's earnings briefings.

# Financial Result Highlights



(Unit: 0.1 billion JPY)

- A higher-than-expected increase in raw material prices and lower GPM from our model mix negatively impacted results, which ultimately fell short of the plan.
- Insecticides & Repellents overperformed vs. the revised forecast (Nov.), with success in controlling sales promotion & other expenses also contributing to an operating income overperformance of 1.37 B yen (5.0 B yen → 6.37 B yen)

	Realized	Vs. Forecast	YoY	Main Factors vs. Forecast
Sales	<b>1,583</b>	99.0%	103.9%	<ul style="list-style-type: none"> <li>• Impact of underperformance from Household products, especially Bath salts.</li> <li>• Insecticides &amp; Repellents/Total Health Care System met the forecast targets.</li> </ul>
Gross Profit	<b>636.2</b>	95.7%	101.9%	<ul style="list-style-type: none"> <li>• Impact from higher-than-expected increase in raw material prices. Lower GPM from our model mix.</li> </ul>
SG&A Expenses	<b>572.5</b>	97.9%	104.0%	<ul style="list-style-type: none"> <li>• Controlled costs, bringing down SG&amp;A by 1.24 B yen vs. the forecast.</li> </ul>
Operating Income	<b>63.7</b>	79.6%	85.7%	<ul style="list-style-type: none"> <li>• Vs. the forecast : -1.63 B yen.</li> </ul>
Net Income attributable to owners of parent	<b>41.0</b>	76.0%	77.4%	<ul style="list-style-type: none"> <li>• No factors had a significant impact on consolidated results.</li> </ul>

© Earth Corporation All Rights Reserved.

2

Allow me to direct your attention to page 2, which contains the financial result highlights for the fiscal year ended December 2023.

We registered 158 billion yen in sales, only slightly below the forecast amount. This slight underperformance was due to the impact of the underperformance from Household products, especially bath salts. Conversely, Insecticides & Repellents - which is our core earnings driver - delivered a strong performance meeting the forecast target, as did Total Health Care System. We registered 63.62 billion yen in gross profit, which corresponds to 95.7% of the forecast target. This represents an underperformance, on account of the impact of an higher-than-expected increase in raw material prices, which is an issue we have been facing for some time now, as discussed in previous earnings briefings. Another factor is the model mix, namely, an increase in the share of products with lower margins in each category. We registered 57.25 billion yen in SG&A expenses, which corresponds to 97.9% of the forecast target and therefore represents an overperformance thanks to the execution of cost controls. Please refer to the appendix for more information.

Putting all of these factors together, operating income came in at 6.37 billion yen, which corresponds to 79.6% of the forecast target. We lowered guidance in November of last year, and these results exceeded the revised forecast by 1.37 billion yen, as discussed in greater detail on the next page.

# Main Factors Vs. Revised Forecast (Nov.)



(Unit: 0.1 billion JPY)

Item	As of Nov. revision	Realized	Main Factors
• Domestic: Sales / GP overperformance vs. target in Insecticides & Repellents	—	<b>+0.7</b>	• Fewer product returns than expected contributed to profits.
• Domestic: Sales / GP underperformance vs. target in Household products	-37	<b>-25.8</b>	<ul style="list-style-type: none"> <li>• Bath salts: -17.4. Stay-at-home demand no longer at play. Market size: 96% YoY; Share: -0.9pt YoY. Fell short of the plan targets; higher-than-expected impact from raw materials.</li> <li>• Oral hygiene products: -5.3. Market size: 96% YoY; Share: -0.5pt YoY. Impact of soaring raw material prices and a worsening in profitability due to the model mix.</li> <li>• Other household products (household detergents, masks, etc.): -3.3. Fell short of the sales target, impacted by a higher COGS ratio.</li> <li>• Expenses related to reduction in excess inventories included in each category.</li> </ul>
• China: Gross Profit underperformance vs. target	-3	<b>-3.6</b>	• Sales through the e-commerce channel at our Chinese subsidiary struggled; increase in slow-moving inventories.
• GP underperformance	-40	<b>-28.7</b>	
• Control expenses	+10	<b>+12.4</b>	• Personnel expenses: +1.8; Distribution expenses: +0.5; Advertising expenses: +1.3; R&D expenses: +5.2; Maintenance: +1.0; Misc. & other expenses: +3.6
• Total	-30	<b>-16.3</b>	

© Earth Corporation All Rights Reserved.

3

As discussed at the time of the announcement of the revised forecast back in November, we took somewhat of a conservative approach to the figures, especially when it came to the forecast for the market for bath salts within the Household products segment.

This accounted for most of this overperformance versus the revised targets.

In terms of expenses, while we had expected to limit these by 1 billion yen, realized results came in above the forecast, as we were able to control expenses by 1.24 billion yen.

Overall, while the initial forecast set the operating income target at 8 billion yen, we announced a 3 billion yen downward revision in November 2023.

However, the actual decrease was less pronounced - 1.63 billion yen - so ultimately, we registered 6.37 billion yen in operating income.

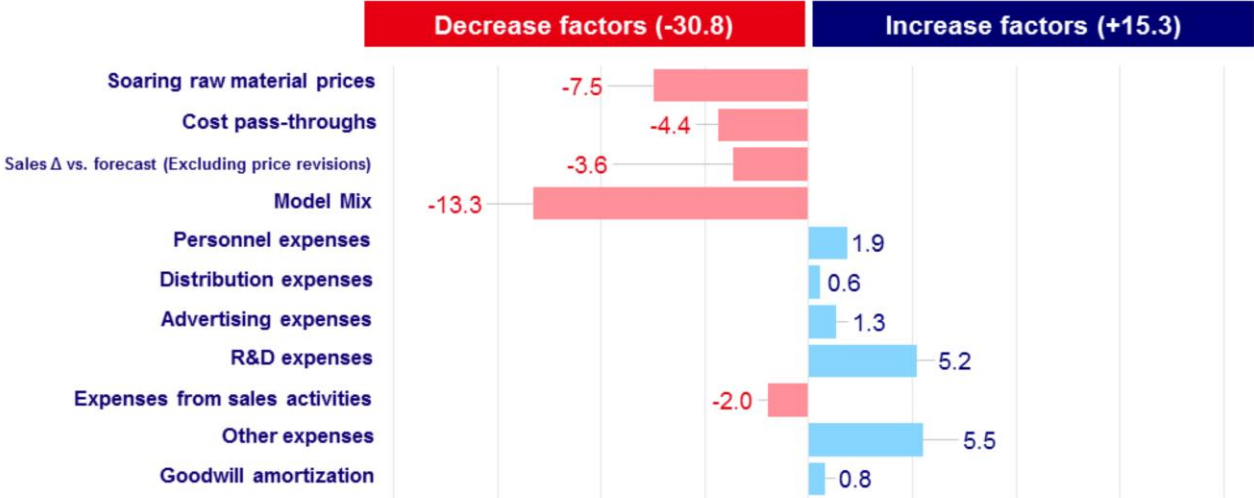


# Operating Income Change Factors (Vs. Forecast)



(Unit: 0.1 billion JPY)

- Greater than expected impact of rising costs, e.g., raw materials.
- The effect of price revisions fell short of expectations, and GPM worsened due to a sales underperformance vs. the forecast and the model mix.
- While cost controls allowed us to limit expenses by 1.24 B yen, operating income nevertheless fell short of the forecast target.



© Earth Corporation All Rights Reserved.

4

Next are the operating income change factors.

Starting from the top of the list with the decrease factors we have the item of soaring raw material prices, which had a negative impact higher than expected by 750 million yen. We carried out price revisions as a way to address higher raw material prices and other costs, and these efforts bore fruit to a certain degree in Insecticides & Repellents. However, price revisions in Household products were not very successful, so the effects of cost pass-throughs fell short of our forecast by 440 million yen. Excluding price revisions, we also registered a slight sales underperformance versus the forecast of 360 million yen. The most significant decrease factor was our model mix, due to greater competition across categories. We leveraged limited-edition and special event products in a strategic manner, but we nevertheless saw a slight decrease in revenue. In terms of the various expense items, these were in line with the forecast.

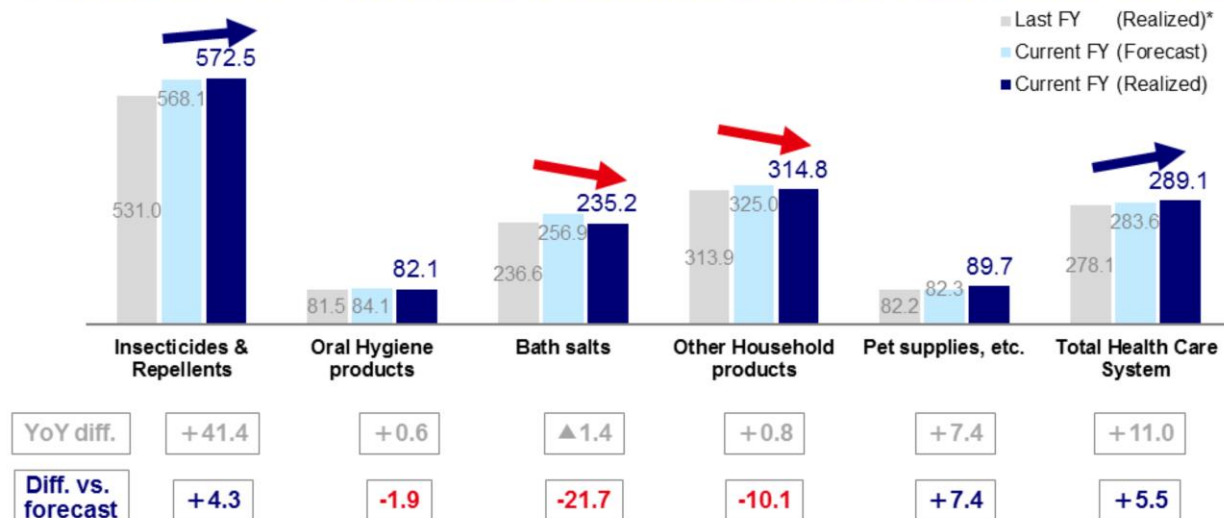
# Sales By Segment



\*To outside customers (excludes internal eliminations)

(Unit: 0.1 billion JPY)

- Insecticides & Repellents : Plan achieved due to higher than planned Q4.
- Household products : Oral hygiene products, bath salts, and other household goods all fell short of projections.
- General Environment : Strong performance from the beginning of the year and steady achievement of the plan.



© Earth Corporation All Rights Reserved.

5

Next, I would like to briefly go over sales by segment.

The segments of Insecticides & Repellents and Total Health Care System delivered higher sales and achieved the forecast targets.

As I mentioned earlier, bath salts and other Household products underperformed in terms of sales.

Mr. Furuya will be going over the details later on in this presentation.

## Regarding Losses on Valuation of Shares in BATHCLIN Corporation Inc.



- **As announced on January 29, 2024, the Earth Corporation recorded a loss in the valuation of shares in BATHCLIN Corporation Inc.**
  - The business environment has changed significantly from the assumptions made when we acquired shares in the company in 2012.
  - Recorded a loss on valuation of shares in subsidiaries and affiliates in accordance with the Accounting Standard for Financial Instruments.
  - Impact on non-consolidated results: Extraordinary losses: 10.96 B yen.
- **No impact on consolidated results and current Cash levels.**

Last, as announced on January 29th, 2024, the Earth Corporation recorded a loss in the valuation of shares in BATHCLIN Corporation Inc.

The business environment, assumptions, and demand situation have all changed considerably from when we acquired shares in the company in 2012.

A delta has therefore emerged between the levels we assumed at the time of acquisition, although it should be said that we don't see any issues as it relates to direct earnings power. That being said, the delta between the equity book value and net assets widened beyond a certain threshold, triggering this loss on valuation of shares in subsidiaries and affiliates, recorded in accordance with the Accounting Standard for Financial Instruments. This only has an impact on non-consolidated results, as it has no impact on consolidated results.

This concludes my presentation.

I would now like to yield the floor to Mr. Furuya, who will be reviewing COMPASS 2023, the outgoing Medium-Term Business Plan.

Thank you for your time.



# Earth Corporation

## **Review of Previous Mid-term Business Plans**

---

Good morning, everyone. My name is Yoshiyuki Furuya, Executive Officer and Assistant to the President, in Charge of Overall Management.

I would like to review the previous Medium-Term Business Plan, which we executed between 2021 and 2023.



- The basic strategy for the MTBP was reforming the corporate compass & infrastructure and improving earnings by expanding the profit foundation in Asia, ESG/Open Innovation, and generating cost synergies.

## Main Drivers of the Medium-term Business Plan (2021 - 2023)



© Earth Corporation All Rights Reserved.

8

Shown here is the outline and main drivers of the outgoing plan.

As outlined in the colored bars on the left forming the letter "E," the basic strategy for the Medium-Term Business Plan was reforming the corporate compass & infrastructure and improving earnings by expanding the profit foundation in Asia, ESG/Open Innovation, and generating cost synergies.

# Review of the Main Drivers

- Updated management accounting and revamped our core system as planned. We now intend to deliver benefits from the use of these new systems.
- While we continue making efforts to reduce product disposals/returns and generate synergies, we haven't been able to solve the issue completely. We will be carrying out a bold review of drivers and enact drastic changes to execution structures.

## ○ • Initiatives with results



© Earth Corporation All Rights Reserved.

## △ • Initiatives in progress



## × • Initiatives not fully executed



We have reviewed each of these initiatives internally, and while we won't be covering the details, we assess our efforts as having accomplished approximately half of the goals we set for ourselves, leaving several issues that need to be addressed.

Here, we have set three categories: initiatives with results, initiatives in progress, and lastly, initiatives not fully executed.

In terms of areas where we saw results, we have reforming the corporate compass and infrastructure, especially as it pertains to updates in management accounting and revamping our core system, both of which were completed according to plan.

Going forward, we now intend to deliver benefits from the use of these systems.

In terms of expanding the profit foundation in Asia, a positive result was the expansion of sales and market share in Thailand and Vietnam.

Regarding initiatives in progress, we have exploring new market areas, namely Malaysia and the Philippines.

We started cultivating these two countries as new markets, but this process is still underway and hasn't been completed.

In terms of ESG and Open Innovation, addressing issues contributing to the achievement of SDGs is an area that requires efforts over the long term, and additionally, work is still ongoing in terms of the real-world implementation of MA-T, as this is a project that is still in the investment phase and requires a longer time frame.

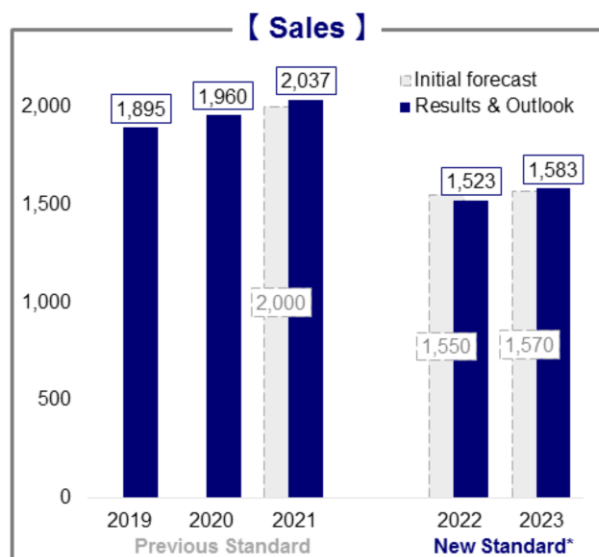
Regarding initiatives not fully executed, we were unable to fully tackle the issues of reducing product disposals and returns and generating cost synergies across the whole Earth Group. We continued work on these areas, but since this wasn't enough to fully address these challenges, we are reviewing the execution structure and will be carrying out fundamental changes.

# Act For SMILE - COMPASS 2023 - Review

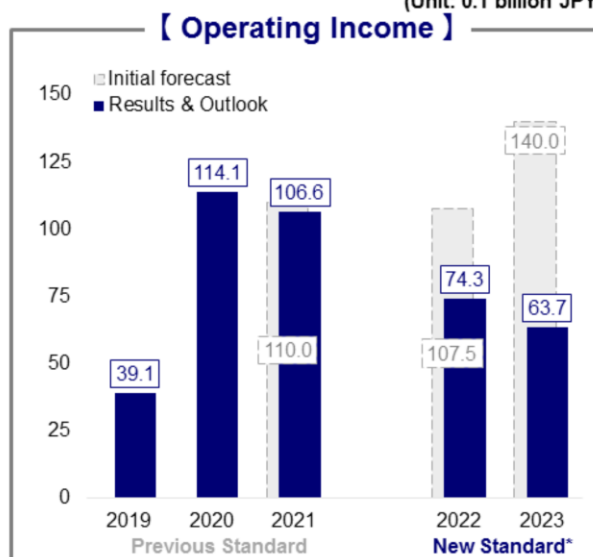


- Sales were achieved against the original plan, but operating profit fell short of the plan.
- Sales were 158.3 B yen against an initial plan of 157 B yen. ( Achievement 100.8% )
- Operating income was 6.37 B yen, compared to an initial plan of 14 B yen. ( Achievement 45.5% )

(Unit: 0.1 billion JPY)



© Earth Corporation All Rights Reserved.



\* Sales converted to the New Standard for Revenue Recognition 10

Next is a review of the quantitative targets.

Sales met and slightly exceeded the forecast target, while operating income, on the other hand, came in considerably below the 14 billion yen forecast we formulated back in 2020.

Realized operating income results also fell short of the target for 2023 of 8 billion yen, so we feel we let stakeholders down, for which we offer our apologies. While soaring raw material prices and foreign exchange impacts did indeed constitute headwinds for us, this made it clear to us that the Company needs to make improvements to its earnings structure. We will be going over some of the issues that need to be addressed on this front, starting on the next page.

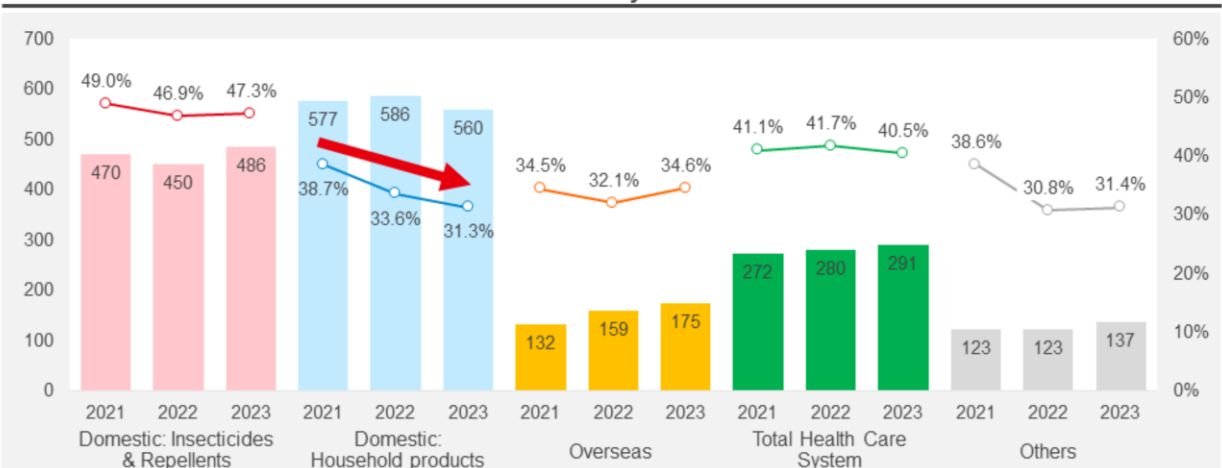
# Management Accounting Basis: Sales / GPM (2021-2023)



- Domestic - Insecticides & Repellents: Upward trend in sales and stable high levels of profitability make this segment the Company's core earnings source.
- Domestic - Household products: We saw heightened competition due to a market slowdown and incomplete cost pass-throughs led to a lower GPM.
- Overseas: Delivered overall sales growth, with a GPM recovery in 2023.
- Total Health Care System: Stable sales growth thanks to growth in the number of contracts. This segment maintains high profitability second only to Insecticides & Repellents.

Sales / GPM by Portfolio

(Unit: 0.1 billion JPY)



© Earth Corporation All Rights Reserved.

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

11

When considering the factors weighing down on profitability, this analysis is done on a management accounting basis.

The graph at the bottom shows the trend in sales and gross profit margin over the three-year period between 2021 and 2023, on a management accounting basis. Under this management accounting basis, we divide things into five segments: Domestic Insecticides & Repellents, Domestic Household Products, Overseas, Total Health Care System, and Others.

In terms of the domestic operations within Insecticides & Repellents, while this segment is somewhat sensitive to weather impacts, sales are on a gradual upward slope in this business, which also continues to deliver high margins and is therefore the Company's core earnings driver.

Regarding domestic operations within Household products, this business faces a challenging environment.

I will be going over the details later, but a market slowdown and challenges in the execution of cost pass-throughs have led to lower profitability in this business.

Regarding the Overseas business, while there is some variance from country to country, overall, we have been able to grow sales.

Lastly, the Total Health Care System business continues to deliver stable growth.



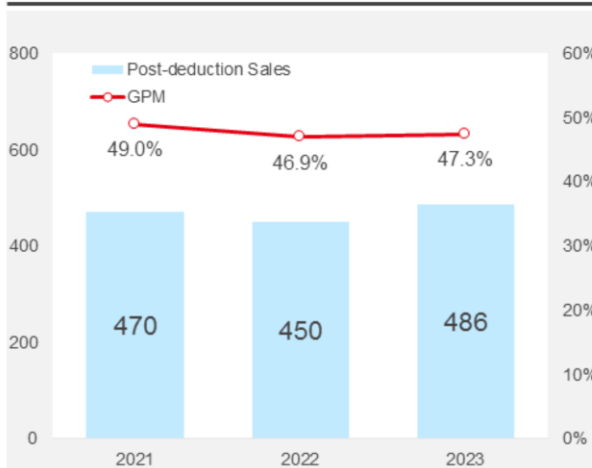
# Domestic: Insecticides & Repellents Revenue Status



- Amidst the impact from soaring raw material prices, we executed cost pass-throughs as the top manufacturer in Japan. In doing so, we not just dampened the decrease in profitability, but also contributed to growing the scale of this market, within which our share grew.
- Product returns improved from 6.5% in 2021 to 6.2% in 2023, with further room for improvement remaining.
- The Earth Group's core earnings source remains solid.

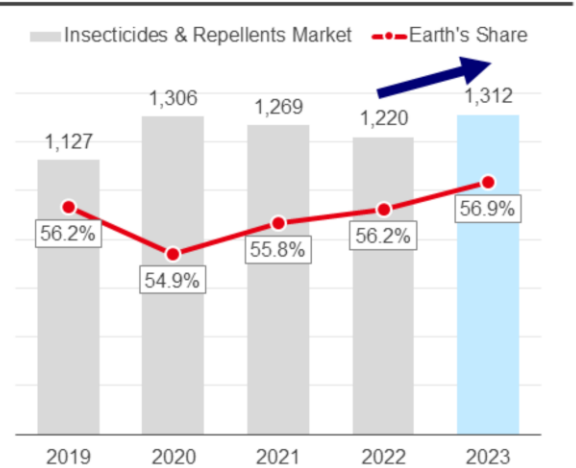
(Unit: 0.1 billion JPY)

Domestic: Insecticides & Repellents -  
Post-deduction Sales & GPM\*



© Earth Corporation All Rights Reserved.

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



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

12

I would now like to look at each business individually, starting with domestic operations within Insecticides & Repellents.

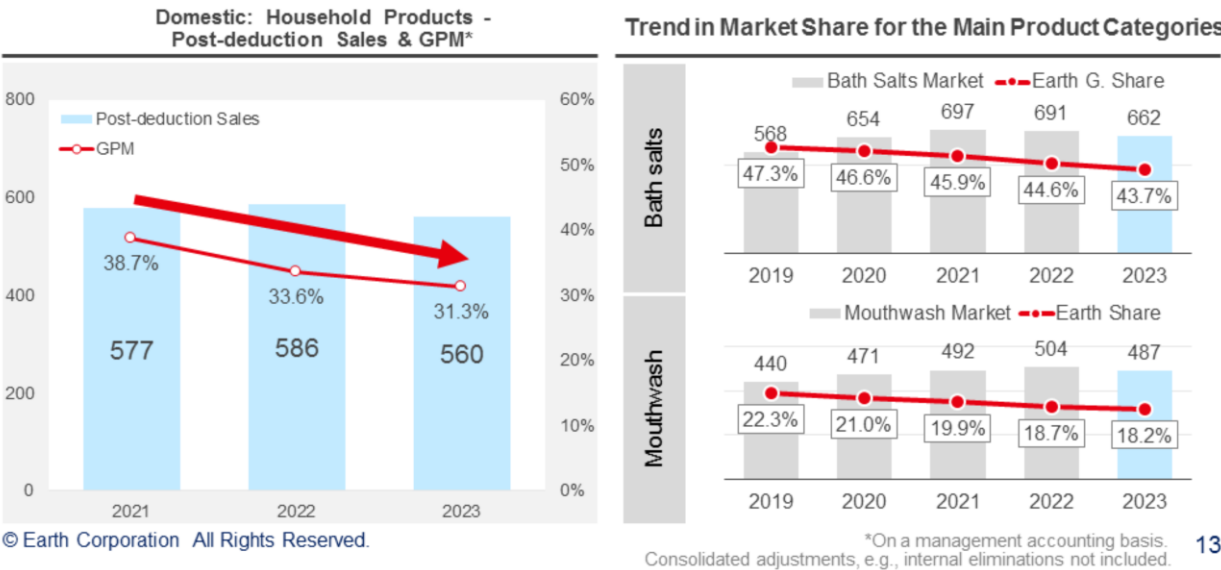
This business has seen headwinds in the form of soaring raw material prices over the past two years. Against this backdrop, we executed cost pass-throughs as the top manufacturer in this category in Japan, allowing us to offset this decrease in profitability and also making a contribution to the scale of the overall market, as shown here on the vertical bar graph on the right. These efforts resulted in an increase in the Earth Corporation's market share. The product return percentage has improved, but we believe there is further room for improvement. Taking these various factors into account, the Earth Group's core earnings source remains solid.

# Domestic: Household Products Revenue Status



(Unit: 0.1 billion JPY)

- Greater competition in our core markets of bath salts and mouthwash products, due to new entrants and lower demand.
- While we attempted cost pass-throughs amidst a decrease in market share, we were unable to deliver sufficient results.



13

Conversely, over the past two years, we have faced a challenging business environment when it comes to domestic operations within Household products.

This business benefited from stay-at-home demand during the pandemic, but this surplus demand has since dissipated following the reclassification of COVID-19 as a common infectious disease, and furthermore, we are now seeing greater competition. The Earth Group continued to lose market share every year since 2019 for our core categories of bath salts and mouthwash products. This, coupled with the impact of soaring raw material prices, made for a challenging situation. Unlike with Insecticides & Repellents, we face a number of competitors for these products, with fierce competition for market share. Against this backdrop, we were unable to deliver sufficient results from cost pass-throughs, and were therefore unable to put a brake on a decrease in earnings resulting from higher raw material prices.

# Domestic: Household Products - Diversification of Categories Offered

- In anticipation of increased demand resulting from the COVID-19 pandemic, we launched products in new categories, e.g., sanitizer and nursing care products, and household detergents. However, rapid and drastic changes in the market environment have led to lower profitability.
- This diversification led to dispersion in terms of marketing resources, so there is a need for us to refocus these on our core competences and enhance brand awareness in core categories.

## Examples of Product Launches in New Categories



© Earth Corporation All Rights Reserved.

14

We made inroads into new markets and expanded our lineup in existing ones during COVID, a good example being the launch of sanitizer products.

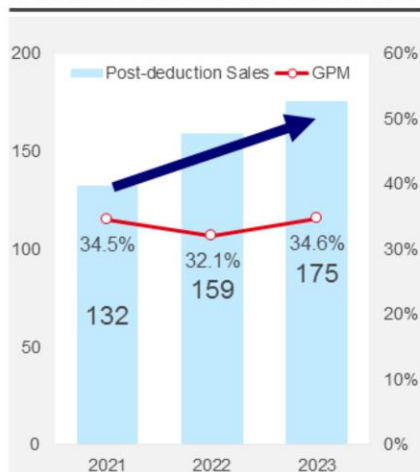
We had anticipated greater demand resulting from the pandemic and consequently launched products in new categories, e.g., sanitizer and nursing care products, and household detergents. Within these, we recorded some success cases, such as Bubbloon - shown here on the right - which has received acclaim on social media and generated good sales, but the majority of new products were negatively impacted by changes in the market environment, leading to lower profitability. Dispersion is another issue, as we spread ourselves too thin by allocating resources to these various product launches.

There is therefore a need for us to focus on our core competencies when it comes to marketing resources and enhance brand awareness in core categories, capturing consumer loyalty.

# Overseas: Revenue Status

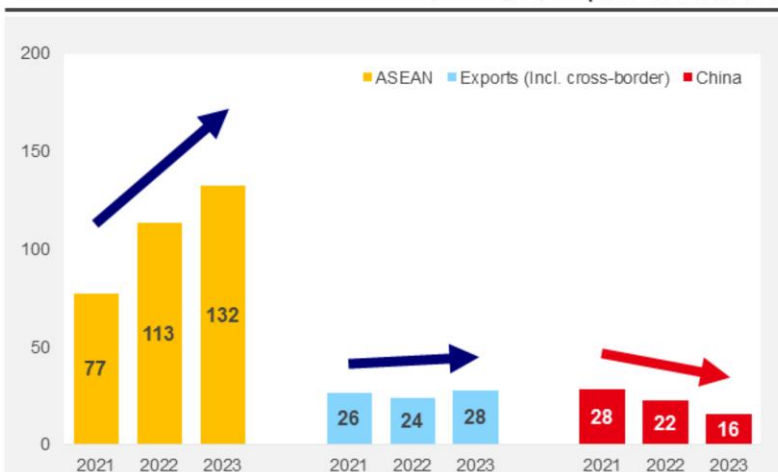
- In ASEAN, we are seeing steady sales growth in Thailand and Vietnam, and are now in an expansion phase in Malaysia and the Philippines.
- Strong results in the export business, especially exports to the Middle East and the U.S. Conversely, the cross-border e-commerce business targeting the Chinese market worsened.
- Lower sales in China, also partially on account of changes in the external environment in the region.

Overseas: Post-deduction Sales & GPM\*



© Earth Corporation All Rights Reserved.

Overseas: Sales by Category\* (Unit: 0.1 billion JPY)



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

15

As I mentioned earlier, the Overseas segment delivered overall sales growth, with some countries doing better than others.

In ASEAN, we are seeing steady sales growth in Thailand and Vietnam, and are still in an expansion phase in the Philippines and Malaysia.

We saw strong results in the Export business, especially when it comes to exports to the Middle East and Africa, and we expect further expansion going forward.

Conversely, we saw some weakness in the cross-border e-commerce business targeting the Chinese market.

Lastly, as you are aware, we registered lower sales in China, on account of changes in the external environment in the region.



# Overseas: Business Status



## ASEAN Core Area (Thailand & Vietnam)

<b>Thailand</b>	<ul style="list-style-type: none"> <li>Focus on insecticides &amp; repellents, air fresheners/deodorants, and mouthwash.</li> <li>Secured no. 2 market share in insecticides &amp; repellents (16.8% in 2023); aim for no. 1 by 2025 in Thailand.</li> <li>Work to enhance the brand value of [ARS] through initiatives to prevent the spread of dengue fever.</li> </ul>
<b>Vietnam</b>	<ul style="list-style-type: none"> <li>Steady performance from our core category of household detergent products.</li> <li>Enhanced EARTH NO MAT and aerosol products within insecticides &amp; repellents and increased number of stores carrying these SKUs.</li> <li>Success in growing the number of stores carrying our air fresheners/deodorants and mouthwash products.</li> </ul>

## ASEAN Expansion Area (Malaysia & The Philippines)

<b>Malaysia</b>	<ul style="list-style-type: none"> <li>Established in 2019. This was immediately followed by the outbreak of COVID and its associated restrictions, leading to results falling short of our estimates.</li> <li>Carried out contract reviews with distributors in order to rebuild sales channels.</li> <li>Further efforts to introduce staple products to main accounts &amp; promote the development of new channels.</li> </ul>
<b>Philippines</b>	<ul style="list-style-type: none"> <li>Started business development following M&amp;A in 2022.</li> <li>Introducing insecticides &amp; repellents with existing channels/products as the core.</li> <li>Promote the development of new channels.</li> </ul>

## Exports

<b>ME</b>	<ul style="list-style-type: none"> <li>Carried out business primarily in Saudi Arabia.</li> <li>Brought an enhanced version of EARTH NO MAT to market, allowing us to grow results.</li> </ul>
<b>Taiwan</b>	<ul style="list-style-type: none"> <li>Success from the introduction of new products, primarily insecticides &amp; repellents.</li> </ul>
<b>NA</b>	<ul style="list-style-type: none"> <li>Business expansion strategy with cockroach control products at its core.</li> </ul>

## China

<b>Locally</b>	<ul style="list-style-type: none"> <li>Significant slump following a market slowdown.</li> <li>While we focused on developing EC channels, we saw a sluggish performance in terms of shipments, starting in 2023, due to excess inventories.</li> </ul>
<b>Cross-border</b>	<ul style="list-style-type: none"> <li>Cross-border struggled due to changes in the external environment, e.g., a slump in the livestream shopping market.</li> </ul>

© Earth Corporation All Rights Reserved.

16

I would now like to go over each country and region within the Overseas business.

In Thailand, we are focusing on insecticides & repellents, air fresheners and deodorants, and mouthwash products. As it stands, the Earth Group currently holds the second largest market share in the country for insecticides & repellents, and we are now aiming for the number 1 spot by 2025. We are currently enhancing efforts to guarantee the deployment of staple products within MT and TT, and formulating focus SKUs for convenience stores and mom-and-pop stores and promoting the shipment of these to such stores. Lastly, we are working to enhance the brand value of ARS in Thailand through initiatives to prevent the spread of dengue fever.

In Vietnam, we registered a strong performance from our core category of household detergent products. Additionally, we have had success in growing the number of stores carrying our insecticides & repellents, air fresheners and deodorants, and mouthwash products.

We established a local subsidiary in Malaysia in 2019, but were unable to carry out operations as we had hoped, due to the pandemic. We are currently carrying out contract reviews with distributors in order to rebuild sales channels, and our main efforts for the time being are toward the introduction of staple products to main accounts and promoting the development of new channels.

The Earth Group started business development in the Philippines following the execution of M&A in 2022. Currently, we are working to introduce insecticides & repellents, with existing channels and products as the core.

The Export business is divided into the three areas of Middle East, Taiwan, and North America. In the Middle East, we brought an enhanced version of EARTH NO MAT to market in Saudi Arabia, allowing us to grow results. In Taiwan, we saw success from the introduction of new products, primarily insecticides & repellents. In North America, we are in the process of expanding sales for cockroach control products.

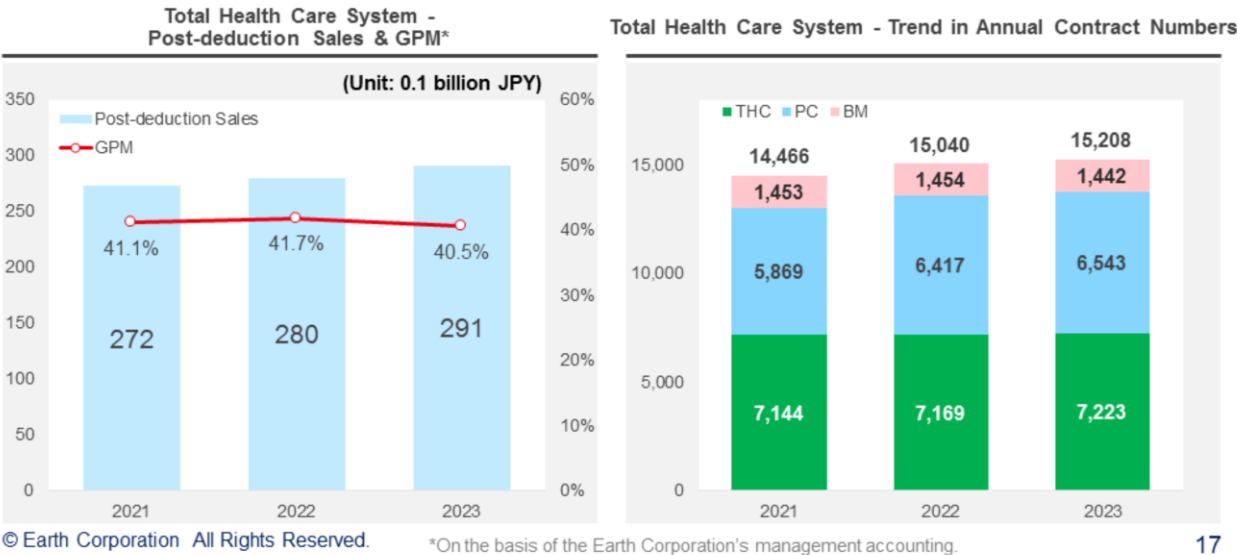
Lastly, we face a challenging environment in China, amidst a market slowdown.

Cross-border, too, has struggled due to a slump in the livestream shopping market.

# Total Health Care System: Revenue Status



- The number of contracts has grown year in, year out, fueled by greater demand, with a robust foundation allowing us to deliver earnings in a stable manner.
- There is room for further global expansion, including to Vietnam in addition to China and Thailand.



Total Health Care System is a recurring-revenue business capable of generating stable earnings, and is therefore one of the most important businesses in our earnings portfolio.

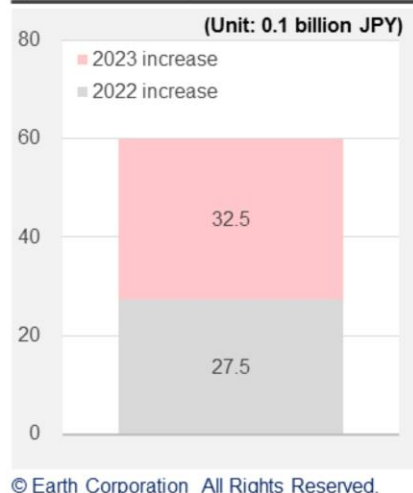
Annual contracts are the core for this business, with the number of contracts growing year in, year out - making for a strong earnings foundation. The main business here consists of providing consulting services to food processing plants to prevent cross-contamination and contamination with foreign materials. There is robust demand for these types of services, and we expect further growth going forward. Additionally, we are also in the process of expanding into new areas.

# Impact of Changes in the External Environment

- Soaring prices for raw materials, packaging & other materials, manufacturing costs, etc. led to a net increase in costs of 6 billion yen in 2 years.
- We had planned a total profit contribution of 3.0 billion yen from price revisions in 2023. Here, while Insecticides & Repellents delivered good results, results were anemic for Household products, so ultimately, price revisions translated into a contribution of 2.1 billion yen.

Impact from Soaring Raw Material Prices, etc.

Positive Effect from Price Revisions



My presentation thus far has followed the segments as outlined in our management accounting framework.

The factors outlined in the current slide had a significant impact on results from domestic operations within Insecticides & Repellents and Household products. The impact of soaring raw material prices over the two-year period starting in 2022 totaled approximately 6 billion yen. This wasn't limited to higher prices for raw materials and packaging materials, as this impact extended to a wide range of expenses, such as manufacturing and outsourcing expenses, etc. This therefore had a significant impact on results. Additionally, seasonality plays a large role in our business and we stockpile production, meaning that there's a time delay before the impact of higher raw material prices is actually felt. The market appears to have stabilized somewhat, but we expect this negative impact to extend into 2024 when it comes to the Group's results. We carried out price revisions in order to offset these headwinds, but these efforts only translated into a profit contribution of 2.1 billion yen, which corresponds to only approximately one-third of the cumulative impact of higher raw material prices.

The plan is to execute price revisions this year as well, especially in the Insecticides & Repellents business. Naturally, we're considering executing price revisions within Household products. The right balance needs to be struck here, between possible price increases and efforts to recapture share and enhance our brand, but we are making preparations to move forward with new efforts as soon as possible.

# Investment Carried out During the MTBP



- Raised 12.5 billion yen in equity financing in 2020.
- More active capex, e.g., upgrading our IT infrastructure and enhancing production capacity.
- Acquired the [BARTH] brand through transfer and also carried out M&A investment through the acquisition of a local subsidiary in the Philippines, etc.

## Equity Financing & Investments

2020 Equity finance 12.5 B yen	Initial Intended Use	Realized Uses	Investment Amount
	• Investment to expand our profit foundation in Asia	• Acquired [BARTH]: 3.5 B yen	5.5 B yen
		• Acquired [EHPPI]: 2.0 B yen	
	• Investment in ESG & Innovation	• MA-T-related investment Exploratory upfront investment	4.0 B yen
	• Investment in ICT infrastructure	• Revamping of core systems Build a system to help improve profitability by further enhancing the accuracy of supply/demand forecasts	3.0 B yen
	• Investment in DX	• Expanded production capacity for our [Onpo] bath salts Improve manufacturing efficiency	2.5 B yen
	• New capex		

© Earth Corporation All Rights Reserved.

19

Next is a review of investment carried out during the Medium-Term Business Plan.

We raised 12.5 billion yen in equity financing in 2020 and initially intended to direct these funds primarily toward investment to expand our profit foundation in Asia, investment in ESG and Open Innovation, investment in ICT infrastructure and DX, and capex. In terms of realized uses, we acquired BARTH through business transfer, as well as a local subsidiary in the Philippines. We also carried out MA-T-related investment, revamped our core system, and expanded production capacity for our Onpo bath salts, among other uses. The amounts invested in each project are as shown here on the table.

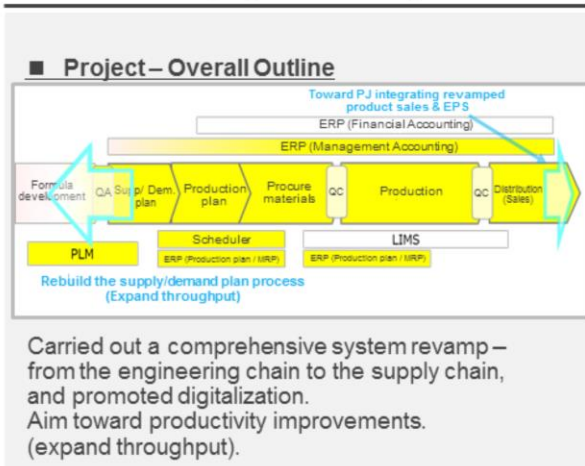


# System Investment & Management Accounting Enhancements



- Completed building our core system, integrating and preparing all processes and data – from the production phase all the way to sales.
- Separate fixed/variable expenses to better understand the earnings structure, allowing for more sophisticated forecasting and management.  
Work to restructure the portfolio by increasing revenue transparency on a per category/business department basis.

## Revamping of the Core System



© Earth Corporation All Rights Reserved.

## Earth's Management Accounting: Items

Total Sales	
Product Returns	
Net Sales	
Sales Promotion Expenses	
Post-deduction Sales	
COGS	
Product Disposal Expenses	
Gross Profit	
Distribution Expenses	
Marginal Operating Income	Decisions re: commercialization & product profitability evaluation indicator
Business Department Expenses	
Direct Operating Income	Business Department Evaluation Indicators
Advertising Expenses	
R&D Expenses	
Marketing / Research Dept. Expenses	
Contribution Margin	Business / Category profitability evaluation indicator
Staff Dept. Expenses	
Operating Income	

Variable Expenses (red double-headed arrow)

Fixed Expenses (blue double-headed arrow)

Within management accounting, the Earth Corporation has its own proprietary definition of "Marginal Operating Income." Put in place a structure for the timely reporting of monthly data.

20

I would now like to discuss a specific example of system investment allowing us to derive benefits.

The revamping of our core system has allowed us to complete efforts to improve efficiency at the SCM level. This system integrates and prepares all processes and data - from the production phase all the way to sales - functioning in tandem with earnings transparency by category and business - made possible through updates in management accounting - and allowing for more sophisticated forecasting and management. We will reap the benefits by carrying out portfolio restructuring with this system as a foundation.

# Review - Summary



- While we started efforts to expand business and improve profitability in overseas areas, each initiative has seen varying levels of success, and we're currently still in the process of shifting to a leaner management structure.

1

**While our overseas business continues on an expansion trajectory, challenges related to growth remain for each country and their respective business stages.**

- While we succeeded in delivering sales growth in the ASEAN region and the export business, we were unable to achieve sales growth and market share expansion in China due to changes in the external environment.

2

**Insecticides & Repellents continue to generate stable revenue. Unable to fully complete cost pass-throughs for Household products, leading to a worsening in revenue. Need to enhance brand recognition to nurture second revenue pillar.**

- Cost pass-throughs in Insecticides & Repellents allowed us to limit the impact of soaring raw material prices, but reducing product returns remains an issue.
- Progress in diversifying categories with sanitizers, nursing care, and household detergent products. This led to dispersion in brand investment, which among other factors, resulted in insufficient resource allocation to our core products of bath salts/mouthwashes and a decrease in market share.

3

**Promoted system investment and the introduction of management accounting. Put in place a foundation toward a comprehensive transformation going forward.**

- Centralized data – all the way from manufacturing to sales. Reviewed the workflow through digitalization and are working to expand throughput.
- Build management accounting structure allowing for the monitoring of business and category revenue in a timely manner. Toward portfolio restructuring.

© Earth Corporation All Rights Reserved.

21

Last is a summary of this review.

As I mentioned at the beginning, over the course of the outgoing Medium-Term Business Plan, we successfully carried out a number of initiatives, while also not being able to fully complete others. Regarding the Overseas business, while it continues on an expansion trajectory, challenges related to growth remain for each country and their respective business stages.

While we succeeded in delivering sales growth in the ASEAN region and the export business, we were unable to achieve sales growth and market share expansion in China due to changes in the external environment.

In Japan, Insecticides & Repellents continued showing unwavering strength as a core earnings driver, although reducing product returns remains a challenge for this business. We were unable to fully complete cost pass-throughs for Household products, and this led to a worsening in profits. Progress was made in diversifying categories, with the objective of further growing the scale of our business, but this led to dispersion in brand investment resulting in insufficient resources being allocated to our core products of bath salts and mouthwashes. This was a factor behind a decrease in market share.

In terms of governance, we promoted system investment and the introduction of management accounting, and put in place a foundation toward transformation going forward. We have completed the reform to our corporate compass and infrastructure, making it possible for us to leverage these to monitor and manage business and category revenue in a timely manner.

By leveraging this, we seek to achieve portfolio restructuring, and addressing these challenges forms the basis of the new Medium-Term Business Plan. I would now like to yield the floor to Mr. Goji, Head of the Corporate Planning Department, who will be going over the details.



# **Earth Corporation**

## **New Mid-term Business Plan (2024-2026)**

---

My name is Isao Goji, Head of the Corporate Planning Department.  
Allow me to use this opportunity to go over the new Medium-Term Business Plan, which started in fiscal year 2024.

# Targets in the New MTBP to Address Issues



## Continue enhancing the earnings structure while also carrying out growth investment in Household products in Asia and Japan

1

While our overseas business continues on an expansion trajectory, challenges related to growth remain for each country and their respective business stages.

Work to further accelerate growth in the Overseas business, which has high growth potential.

2

Insecticides & Repellents continue to generate stable revenue.  
Unable to fully complete cost pass-throughs for Household products, which led to worsening in revenue.  
Need to enhance brand recognition to nurture second revenue pillar.

Nurture Household products as a second revenue pillar while enhancing brand recognition.

3

Promoted system investment and the introduction of management accounting.  
Put in place a foundation toward a comprehensive transformation going forward.

Enhance overall Group governance and aim to execute restructuring toward the generation of synergies.

As Mr. Furuya discussed in his review of the outgoing Medium-Term Business Plan, we fell short of the profit target. We want to learn from these shortcomings by expressing a strong commitment to achieving the profit targets we set for ourselves. This commitment is therefore one of the defining features of this new three-year period. We will continue to transform and enhance the earnings structure while also carrying out proactive growth investment in Asia and in Household products in Japan.

First, allow me to talk about the Overseas business. This business consists of our operations in exports, Southeast Asia, and cross-border e-commerce, with each of these areas being in different stages of growth. The Overseas business beats the Domestic market in terms of growth potential, and one of our strategies is to further accelerate growth here.

The second strategy item pertains to domestic operations. As we discussed earlier, both domestic and overseas operations within Insecticides & Repellents continue to deliver and grow stable earnings. On the other hand, we took a proactive approach to expanding the number of categories offered within Household products, with both positive and negative results depending on the category. Furthermore, we invested in a large number of categories, leading to an insufficient investment allocation to some categories. Against this backdrop, we intend to work to nurture Household products as a second revenue pillar while enhancing brand recognition.

Third, within the scope of the previous Medium-Term Business Plan, we carried out system investment and the fundamental review of management accounting. We made progress in streamlining, slimming down, and standardizing the Earth Group's core businesses, and we believe we have now put in place a foundation for us to build upon in our fundamental transformation efforts. Against this backdrop, in fiscal year 2024, we intend to strengthen overall Group governance and work to carry out restructuring conducive to generating synergies.

# Concept for the New MTBP



**Three-year preparatory period toward a shift from individual optimization to overall Group optimization efforts**

**Execute structural transformation to enhance earnings**

**Domestic operations drive revenue  
Overseas operations drive sales**

**Synergy generation  
Group restructuring  
Enhance governance**

**2025 – which marks the Company's 100th Anniversary – will see the rebirth of the Earth Group**

© Earth Corporation All Rights Reserved.

24

Based on this analysis, we have formulated three concepts for the new Medium-Term Business Plan.

We position this three-year period as a preparation toward overall Group optimization efforts. The first initiative will be executing structural transformation to enhance our earnings power. Second, domestic operations will focus on driving profit and earnings, while overseas operations will drive top-line growth.

Third, we will be generating Group synergies and executing Group restructuring to expand cash flows.

We therefore position this Medium-Term Business Plan as a three-year period in preparation for the rebirth of the Earth Group, which celebrates its 100th anniversary in 2025.

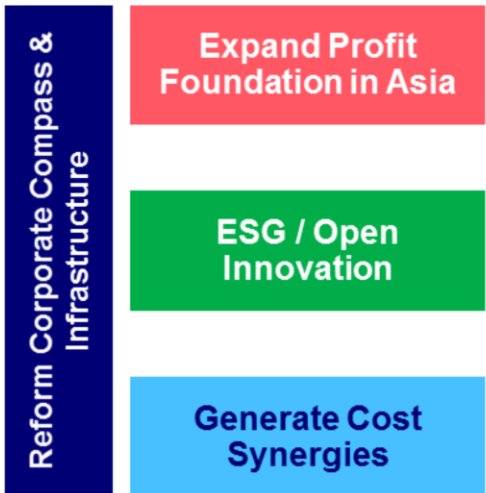


# Positioning of the New MTBP



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

### Medium-Term Business Plan (2021 - 2023) Main Drivers



### Medium-Term Business Plan (2024 - 2026) Main Drivers



© Earth Corporation All Rights Reserved.

25

Shown here are the main drivers of the new Medium-Term Business Plan. The colored bars on the left forming the letter “E” represent the main drivers of the previous Medium-Term Business Plan. This business plan focused on reforming the corporate compass and infrastructure, and consisted of efforts to expand the profit foundation in Asia, ESG and open innovation, and the generation of cost synergies. The new Medium-Term Business Plan consists of three main drivers. First and foremost is transforming the earnings structure. Second is expanding sales overseas, and third is Group restructuring. We therefore position this Medium-Term Business Plan as a three-year period during which to lay out the groundwork for us to grow into a new and improved Earth Group around the Company’s 100th anniversary in 2025.

# **Act For SMILE COMPASS 2026**

## SLOGAN

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

Now is the time to fully actualize the Earth Group's potential.  
Throughout the duration of the MTBP, we will be putting in  
place a structure allowing us to actualize our potential,  
allowing the Earth Group to grow to become an even more  
robust organization toward a bright future.

Here is the slogan for the new Medium-Term Business Plan.

We have updated the Medium-Term Business plan from Act for SMILE COMPASS 2023 to COMPASS 2026. The new slogan is as follows: "Our Group Working Together Toward a Bright Tomorrow for EARTH." This slogan underscores the fact that these efforts are not just by the Earth Corporation, but by the whole of the Earth Group - both in Japan and overseas - toward the rebirth of the Earth Group.



## Main Driver ①: Transform the Earnings Structure



### Nurture a second revenue pillar following Insecticides & Repellents

- **Concentrate in brand, SKU core competencies**
  - Review our expanded product selection in Household products and focus on products with future potential and profitability.
  - Selection to reduce the number of SKUs tracked. (Aim for a 30% reduction.)
- **Proactive investment in Bath salts/Oral hygiene products**
  - Review allocation of marketing resources and promote brand awareness and WTP (Willingness To Pay).
  - Foster favorable associations by customers and re-formulate KPIs to track and increase customer's rate of recall associated with our brand.
- **Raise unit values ASAP by raising the value of our brand**
  - Enhance customer-oriented marketing communication.
  - Raise customer mind share by developing an effective message to communicate to our target customers and through content creation.

© Earth Corporation All Rights Reserved.

28

I would now like to go over each of the main drivers of COMPASS 2026, starting with transforming the earnings structure.

We continue positioning Insecticides & Repellents as our core earnings pillar, but will work to expand categories capable of generating earnings in Household products. To this end, we will be concentrating on our brand and SKU core competences to correct for the expanded product selection in this segment that took place over the course of COMPASS 2023. We took a proactive stance in terms of entering and expanding our offerings in some categories. Some of these categories feature too much competition, while others offer a path to success. Against this backdrop, we want to execute a selection process to focus on promising strategic categories while at the same time cutting down on the number of SKUs.

Second, as Mr. Furuya mentioned earlier, bath salts and oral hygiene products have faced some headwinds recently. We believe we haven't yet incurred damage in terms of the Earth Group's brand, but there is a need for us to increase the investment allocation to further improve the power of our brand. As such, we are taking a proactive approach in this area, as we intend to communicate a message fostering customer loyalty, although naturally, we will continue working to further improve the quality of the products we offer. Within the course of these activities, we will work to raise unit values as soon as possible by raising the value of our brand. The goal isn't simply to carry out cost pass-throughs, but rather to further enhance our brand so that we can offer products with a value proposition commensurate with this value.

# Main Driver ①: Transform the Earnings Structure



## Leverage the corporate compass & infrastructure and derive benefits

- **Reduce the COGS ratio**
  - Our policy is to aim to reduce our environmental footprint and eliminate product returns in Insecticides & Repellents. We further seek to reduce product waste.
  - Lower costs by enhancing our sourcing for the overall Group and globally.
- **Enhance manufacturing and sales coordination**
  - Promote S&OP and enhance supply/demand adjustment functions to achieve the automatic proposal of optimal production plans. Minimize product shortages and optimize inventories to improve cash flow.
  - Reduce fixed expenses and CO2 emissions through the fundamental review of distribution operations.
- **Optimize marketing expenses**
  - Review the allocation of advertising and sales promotion expenses toward enhancing our brand and eliminating product returns. Through these efforts, we seek to optimize our marketing portfolio.

© Earth Corporation All Rights Reserved.

29

Continuing on the topic of transforming the earnings structure, we updated management accounting over the course of the outgoing Medium-Term Business Plan and revamped our core system.

We intend to leverage these to reduce costs, first starting with reducing product return percentages in domestic operations within Insecticides & Repellents. As Mr. Furuya mentioned earlier, we believe there is still room for improvement on this front, and we have already formulated a policy to proactively eliminate product returns and reduce product waste. Furthermore, by further enhancing our procurement function for the overall Group and also globally, we seek to advance cost reduction toward lowering the cost of goods sold. Second, we already saw some results with the review of our supply chain system and business processes, during the outgoing Medium-Term Business Plan. By further enhancing supply and demand adjustment functions, we seek to achieve the automatic proposal of production plans, minimize lost opportunities from product shortages, and optimize inventories to improve cash flow from operating activities. Additionally, we will consider initiatives to reduce fixed and variable expenses through the fundamental review of distribution operations, and reduce CO2 emissions.

Third, as we wrote here at the top, eliminating product returns is not something that can be achieved by Earth on its own, as it requires the cooperation of our customers and distributors. We want to carry out industry-wide efforts in this area, and work together with customers, and, to this end, we intend to optimize marketing expenses. We seek to achieve this goal through the allocation review of advertising and sales promotion expenses and various initiatives toward eliminating product returns.



## Main Driver ②: Expand Sales Overseas



### Put in place a growth foundation in coordination with our strategy for each area

- **Enhance strategies on a per-area basis**
  - Growth potential: Promote further acquisition of market share in Thailand/Vietnam and expand exports into North America and the Middle East.
  - New areas: Expand sales channels in Malaysia/the Philippines and work to build a sales foundation.
  - Strategy review: Shift to a strategy focused on earnings in China, which continues to see market weakness.
- **Enhance overseas supply chains**
  - Enhance supply chains from a standpoint of overall optimization linked with the medium-to-long-term plans for each area.
  - Build a manufacturing structure including M&A.
- **Enhance human resources toward a global shift**
  - Actively promote the hiring and training of global human resources.
  - This is the Earth Group's main human capital materiality.

© Earth Corporation All Rights Reserved.

30

The second main driver is expanding sales overseas.

We are currently advancing efforts to grow the top line in the Overseas business, which boasts a high potential, although naturally, we intend for this to be accompanied by profits, as well. In Thailand, in particular, we are actively carrying out efforts to grow market share in the country, as we aim for the top position in this market by next year. In Vietnam, as well, we are also making good progress in expanding our market share in the country. In the Export business, we will work proactively to expand our export network in North America, the Middle East - Saudi Arabia, in particular - and Taiwan.

In terms of new countries, we already established local subsidiaries in Malaysia and the Philippines during the outgoing Medium-Term Business Plan and advanced these businesses. The business foundation is already in the process of falling into place, so we intend to further accelerate growth going forward. Additionally, we want to revise our business strategy to focus on earnings in China - which is showing market weakness.

As sales grow in the Overseas business, this will require a corresponding increase in production capacity. In this area, and as I mentioned earlier, we will seek to leverage supply sources for the overall Group and also globally in order to optimize the overall supply chain. Should the right conditions present themselves, we will also consider building up the manufacturing structure including through the use of M&A. Lastly, personnel is indispensable in delivering sales and business growth for the overseas business, and the main priority in carrying out a global shift in this area. As such, we will take a proactive approach to hiring and training global human resources, as we position this as our main human capital management materiality.

### Restructure our organization from the standpoint of overall optimization toward generating synergies.

- **Carry out Group restructuring**
  - ▶ Concentrate/integrate corporate planning functions and establish [Corporate Planning Headquarters] to advance transformation.
  - ▶ Launch a Group restructuring project for total optimization with the objective of generating synergies.
- **Enhance our M&A structure**
  - ▶ Restructure a long/short list of M&A projects. (Overseas/new categories/VC, etc.)
  - ▶ Enhance due diligence efforts and put in place an adequate hurdle rate.
  - ▶ Enhance our PMI structure in order to generate synergies ASAP.

The third main driver is Group restructuring.

Generating Group synergies was already a significant theme within the outgoing Medium-Term Business Plan, but as Mr. Furuya mentioned in his review, we weren't able to conclude efforts in this area. We want to learn from these shortcomings and execute Group restructuring toward the generation of true synergies. A project toward Group restructuring has already been launched internally, and we are in the process of making preparations to this end. Furthermore, we will be taking a proactive approach to M&A, as well. In order to further enhance our M&A efforts, there is a need to carry out initiatives such as the restructuring of a long and short list of M&A projects, also including factors pertaining to overseas, new categories, and venture capital investment. There is a need to strengthen the M&A framework taking into account these factors, while also enhancing the PMI framework for the advancement of synergies. Through these and other measures, the new Medium-Term Business Plan is a period to take a more proactive approach to M&A.

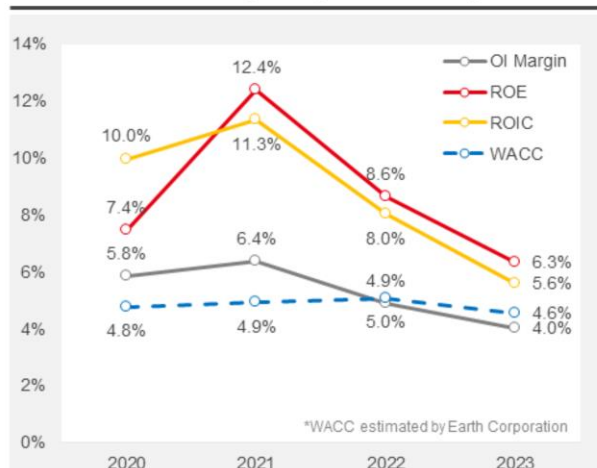
# Overview of Profitability & Capital Efficiency



(Unit: 0.1 billion JPY)

- While ROE and ROIC are down as a result of a decrease in our earnings power and profitability, the debt ratios remain low and WACC remains high following the execution of equity financing in 2020.
- The efficient use of Debt to allow for growth investment remains a challenge, also from the point of view of achieving an optimal capital structure and capital cost.

Profitability & Capital Efficiency



© Earth Corporation All Rights Reserved.

EBITDA & D/E Ratio & Debt/EBITDA



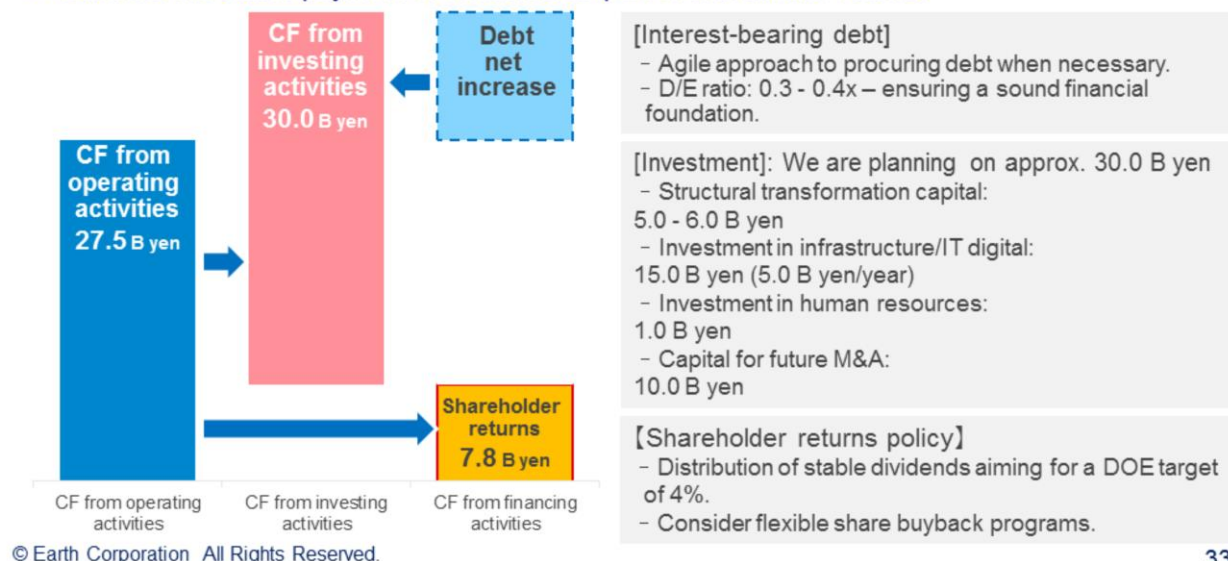
32

This page contains an overview of profitability and capital efficiency between 2020 and 2023.

The line graph on the left shows the trends in ROE, ROIC, and WACC, with a peak in 2021 and declining profitability in the years that followed. Within the new Medium-Term Business Plan, we will therefore be transforming the earnings structure. The dotted line in blue shows WACC, which has hovered around 5%. Following the equity financing we carried out back in 2020, debt utilization has been low, so we will be executing a capital strategy making sure we utilize debt to some extent, also taking into account the cost of capital.

# Cash Allocation (2024 - 2026 Cumulative: Outline)

- Transform the earnings structure to improve profitability and inventory efficiency as a base for generating cash.
- We expect to utilize Debt as a source for growth investment, all the while ensuring the maintenance of a sound financial foundation.
- Continue the stable payment of dividends as part of shareholder returns.



33

This slide contains an outline for the cumulative three-year period corresponding to the new Medium-Term Business Plan.

First is cash flow from operating activities, which corresponds to our earnings power - shown here in dark blue. We expect to generate approximately 27.5 billion yen in cash flow from operating activities, as well as approximately 30 billion yen in cash flow from investing activities - the section shown in red - with this amount being premised on the stable distribution of dividends within shareholder returns. Naturally, these numbers aren't fixed or final, but we have plans to invest 30 billion yen, within which we intend to utilize capital and debt in a robust way. Regarding the breakdown of this planned investment amount, the figures presented here, too, are a provisional estimate.

Our first priority here is the execution of structural transformation, and we expect to allocate between around 5 and 6 billion yen in investment capital to this end. Another item is investment in manufacturing infrastructure and IT and digital infrastructure. Up until now, the Earth Group has already invested an average of around 5 billion yen every year in this area, and we have plans to continue this in the new Medium-Term Business Plan, for a total of around 15 billion yen. Next is investment in human resources, which we intend to carry out outside the scope of regular expenses with personnel. Here, we have plans to further invest in human resources within the scope of our Group restructuring efforts and efforts to advance a global shift and digital transformation. Lastly, we are also considering setting aside around 10 billion yen in capital for future M&A.



# 2026: Quantitative targets



- As of 2026, the reaping of some of the results of the structural reforms will start, but is considered only a passing point.
- After three years of preparation, dramatic growth will be achieved from 2027 onwards.

(Unit: 0.1 billion JPY)

		2023 Realized	2026 Plan	Rise & Fall
Profitability	Consolidated Sales	1,583	1,700	+117
	(Overseas sales*)	175	250	+75
	Sales ratio	11.1%	14.3%	+3.2pt
	Operating Income	63.7	70	+6.3
	OIM	4.0%	4.1%	+0.1pt
	Net Income attributable to owners of parent	41.0	43.0	+2.0
Capital Efficiency	ROE	6.3%	7.2%	+0.9pt
	ROIC	5.6%	5.4%	-0.2pt
	WACC	4.6%	4.1%	-0.5pt
Financial health	D/E Ratio	0.15x	0.3~0.4x	
Shareholder returns	DOE	4.0%	maintain 4% level	

© Earth Corporation All Rights Reserved.

\*On a management accounting basis.  
Consolidated adjustments, e.g., internal eliminations not included. 34

This slide contains the quantitative targets for 2026.

The middle column shows realized results for fiscal year 2023, and immediately to the right we have the forecast targets for 2026. We are targeting 170 billion yen in consolidated sales, which corresponds to an increase versus 2023 results of 11.7 billion yen. Within this, we expect Overseas sales to account for 25 billion yen. In 2023, Overseas sales accounted for 11.1% of consolidated sales, but we expect this percentage to grow to just over 14% by 2026. The operating income target for 2026 is 7 billion yen, growing from 2023 levels. Naturally, we expect the operating income margin to exceed 2023 levels as well, growing to 4.1%. Lastly, the net income forecast is 4.3 billion yen.

Next, in terms of capital efficiency we have ROE, for which we expect an improvement over this three-year period. On the other hand, we expect ROIC to go down by 0.2 points during the same period, and WACC to decrease by 0.5 points, as well. We therefore expect the ROIC/WACC spread to improve by 0.3 points. Lastly, in terms of shareholder returns, we intend to maintain a DOE level of around 4%.



# 2024: Plan Highlights



- We expect to incur non-recurring expenses related to structural transformation. In addition to active investment in human resources, we have plans for active investment in key categories. (Bath salts and Oral care, which we position as our next major revenue source.)
- Also in light of the impact of soaring raw material prices, we forecast a profit decrease in FY 2024.

(Unit: 0.1 billion JPY)

2024 Plan		Highlights	2023 Realized
Sales	1,650	<ul style="list-style-type: none"> <li>We forecast sales growth in all 5 classifications within management accounting.</li> <li>Plans to execute price revisions in Insecticides &amp; Repellents in Japan this fiscal year, as well.</li> </ul>	1,583
Gross Profit	658.3	<ul style="list-style-type: none"> <li>Expected COGS impact from soaring raw material prices of 1.1 B yen.</li> <li>Profitability impact for Domestic Insecticides &amp; Repellents and Household products.</li> </ul>	636.2
SG&A Expenses	628.3	<ul style="list-style-type: none"> <li>This FY we expect 1.5 B yen in expenses related to structural transformation.</li> <li>We expect +1.6 B yen in human resources investment and +1.1 B yen in investment in nurturing our brand.</li> </ul>	572.5
Operating Income	30.0	<ul style="list-style-type: none"> <li>Temporary profit decrease due to structural transformation.</li> </ul>	63.7
Net Income attributable to owners of parent	17.9	<ul style="list-style-type: none"> <li>We expect non-operating income and expenses in line with last year.</li> <li>We don't expect large extraordinary income and loss items.</li> </ul>	41.0
ROE	2.7%	<ul style="list-style-type: none"> <li>Due to a temporary decrease in profitability.</li> </ul>	6.3%

© Earth Corporation All Rights Reserved.

35

Next are the plan highlights for 2024.

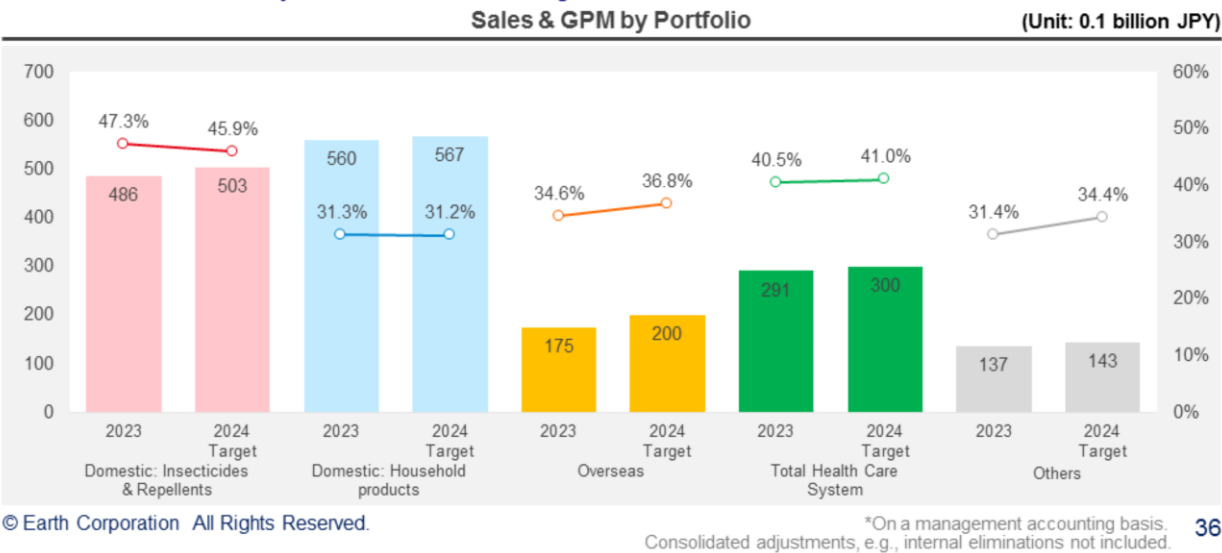
Fiscal year 2023 realized results are shown on the rightmost column, with the plan for fiscal year 2024 shown on the left. We are targeting 165 billion yen in top line sales, 65.8 billion yen in gross profit, 62.8 billion yen in SG&A expenses, and 3 billion yen in operating income. This represents a year-on-year decrease in operating income of approximately 3.3 billion yen. We expect approximately 1.8 billion yen in net income, down approximately 2.3 billion yen year-on-year. The main reason we expect lower profits has to do with SG&A expenses. Within SG&A expenses, we expect 1.5 billion yen in expenses related to structural transformation, and 1.1 billion yen in investment in nurturing our brand. The highlights show an increase of 1.6 billion yen in human resources, which is an item separate from investment in human resources, so I would like to draw your attention to this distinction.

In summation, we expect to incur a number of temporary expenses, primarily expenses related to structural transformation, but also higher cost of goods sold and market fluctuations. We expect these will translate into a decrease in profits, but as we discussed earlier, we will be putting in place a foundation allowing us to grow in 2026 and beyond, which is why we expect to see somewhat muted results throughout the new Medium-Term Business Plan, and especially in 2024.

# Management Accounting Basis: Sales & GPM (2023 vs 2024)



- Domestic - Insecticides & Repellents: We expect to continue carrying out price revisions and to achieve higher sales by growing our market share.
- Domestic - Household products: We expect sales growth thanks to a market share recovery in our core categories.
- Overseas: We expect sales growth, primarily centered around ASEAN and exports.
- Total Health Care System: Continue stable growth.



Next is a comparison between fiscal years 2023 and 2024, on a management accounting basis.

Here, we show the various management accounting categories, such as Domestic Insecticides & Repellents, Domestic Household products, Overseas, Total Health Care System, etc. Insecticides & Repellents in Japan broke a new record last year, reaching a market size of over 130 billion yen. Our strategy here is to continue expanding our share and the top line within this growing market. In terms of Household products, our strategy here is, as I mentioned earlier, one of focusing on our core category competencies, while delivering top line growth and securing profits. Lastly, we expect to deliver robust growth in the categories of Overseas and Total Health Care System. As such, while we expect lower profits in fiscal year 2024, we have a firm commitment to structural transformation and to putting in place a robust foundation allowing us to enhance our earnings power over the course of the new Medium-Term Business Plan. This concludes my overview of the new Medium-Term Business Plan. I would now like to yield the floor to President Kawabata, who will be discussing the Company's vision for the future, including the new Medium-Term Business Plan.



# Earth Corporation

## Vision for the future

---

So far, we have gone over the results and initiatives in fiscal year 2023, as well as the quantitative targets for fiscal year 2026, the specifics behind these targets, and the plan highlights for fiscal year 2024. I would now like to use this opportunity to outline the Earth Group's vision for the future, for 2026 and beyond.

# **Act For SMILE COMPASS 2026**

## SLOGAN

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

Now is the time to fully actualize the Earth Group's potential. Throughout the duration of the MTBP, we will be putting in place a structure allowing us to actualize our potential, allowing the Earth Group to grow to become an even more robust organization toward a bright future.

The word "COMPASS" represents the Earth Group's policy direction, so we have kept the naming convention for the new Medium-Term Business Plan: Act for SMILE COMPASS 2026.

"Our Group Working Together Toward a Bright Tomorrow for EARTH" is our slogan, with Group synergies and restructuring as the major themes. Some might be of the opinion that these efforts were long overdue, but we believe that the need to make these changes can no longer wait, and this a sentiment we drew upon when coming up with the slogan for the new Medium-Term Business Plan.

# COMPASS = MTBP (Guiding Principles)

**C: Customer first**

**O: Open communication**

**M: Mind-set for evolution**

**P: Proactive challenge**

**A: Agility in Asia**

**S: Sustainability**

**S: Smile**

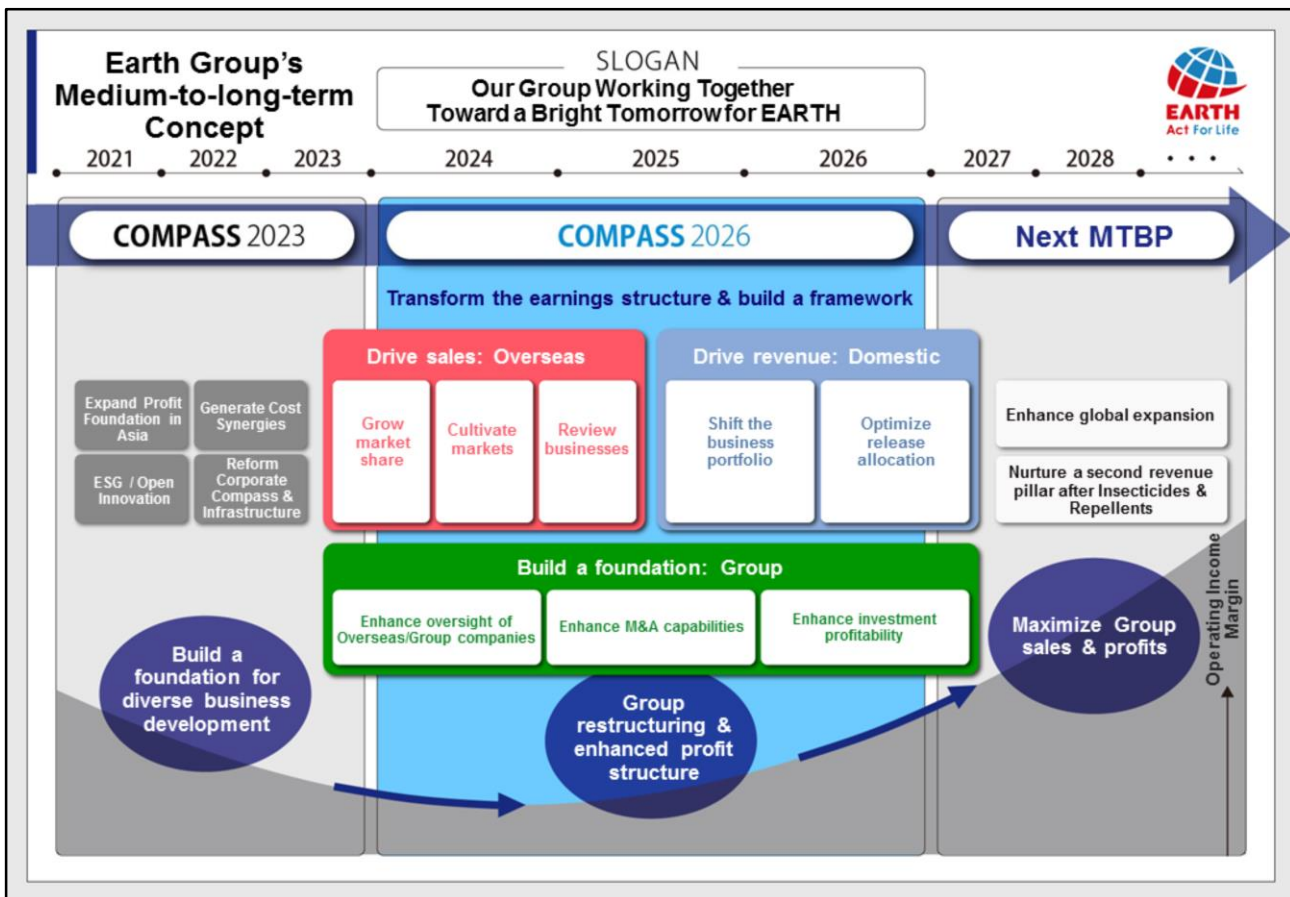


© Earth Corporation All Rights Reserved.

39

The acronym "COMPASS" was chosen to conjure a sense of direction in terms of Company policy, but each letter actually has meaning as it pertains to our guiding principles. The letter "C" therefore stands for "Customer first," "O" for "Open communication," "M" for "Mind-set," "P" for "Proactive challenge," "A" for "Agility," "S" for "Sustainability," and "S" for "Smile." At the beginning of the current fiscal year, we conveyed to Earth employees the principles and the meaning behind the Medium-Term Business Plan, and are now in the process of diving deeper into the details and execution at each of the companies that make up the Earth Group.

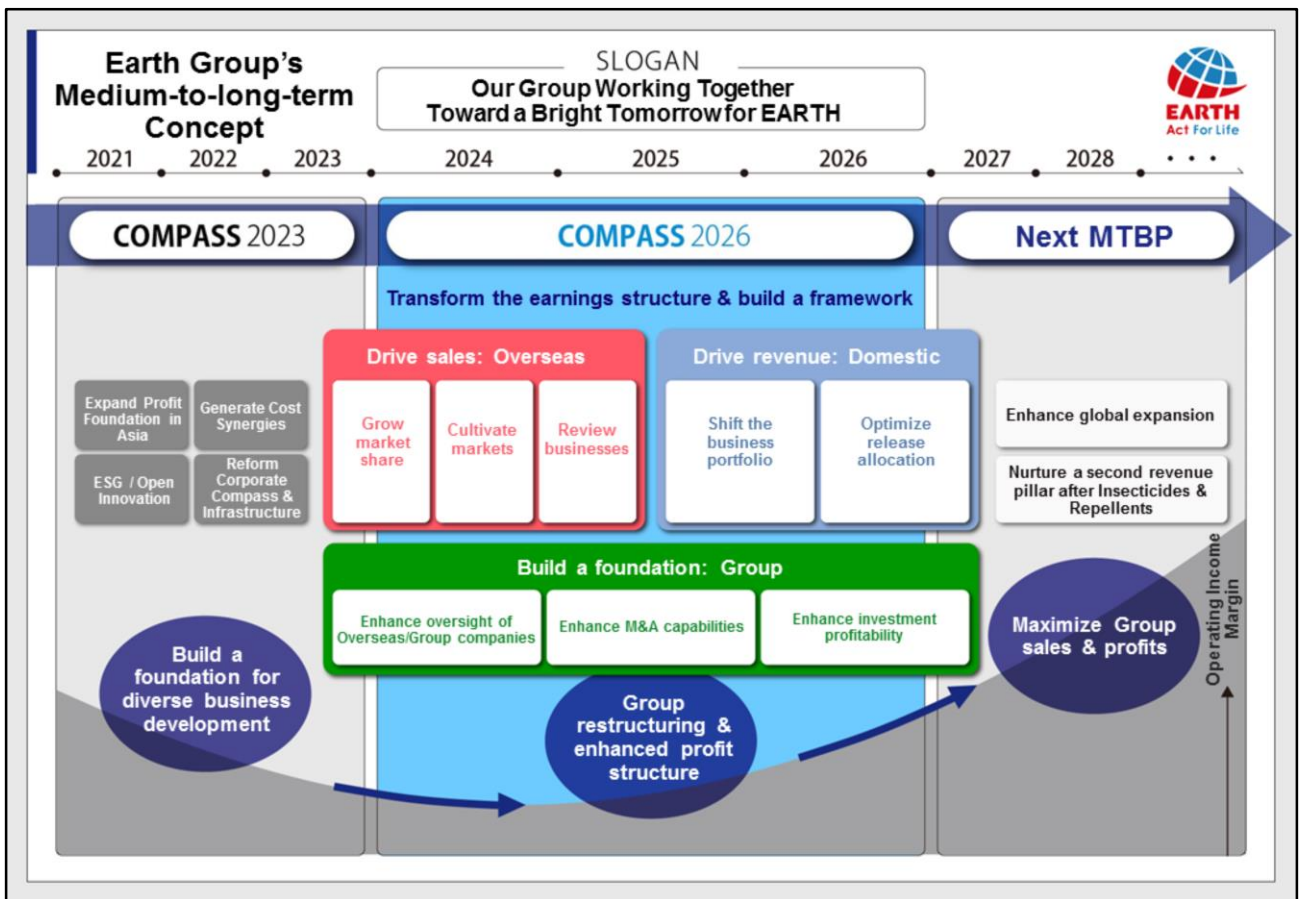




Efforts to reform the corporate compass and infrastructure started with COMPASS 2023 and, within this, we had already decided on efforts to generate cost synergies across the Earth Group. That being said, these synergies are premised on the successful revamping of infrastructure, so we focused on this task first. Then COVID-19 came along, so ultimately, we were unable to unlock Group synergies as we had originally intended.

We were unable to fully realize these plans, but carried out a number of efforts to reach targets we could achieve on our own. As such, we succeeded in completing reform of the corporate compass and infrastructure - including system investment - over the course of the outgoing Medium-Term Business Plan. We will be building upon this revamped infrastructure during the new Medium-Term Business Plan, and complete two main targets. The Overseas business stands out as the engine for growth going forward, and this is a factor we already recognized in the outgoing Medium-Term Business Plan, as we worked to expand the profit foundation in Asia - efforts we perhaps should have started earlier. Now is the time to reap the benefits, and furthermore, we have plans for further expansion into new areas. In other words, we now have plans to advance the Overseas business to the next stage, accelerating sales generation, all the while naturally not neglecting profits. This is akin to our efforts in growing market share in Japan over the years, as we work to drive sales in order to build a strong engine to drive growth. This is our strategy for the Overseas business.

(Continue to next page)



Delivering growth in the domestic Japanese market is by no means an easy feat. That being said, we have been able to secure a robust earnings source, primarily in the form of the Insecticides & Repellents business, and we intend to continue these efforts going forward. We have no intention to let our guard down on this front, but we already boast a market share of around 60% - despite the fierce competitive environment. As such, trying to capture an even larger piece of the pie is something that could require us to incur prohibitive and unnecessary costs. This has become apparent, although by this we don't mean we won't work to deliver growth, but rather our approach is that of maintaining an adequate market share allowing us to secure profits. Doing this requires more than Insecticides & Repellents as a revenue pillar, so we will be working to nurture Household products as a second pillar. We boast a market share of close to 50% in the category of bath salts, so we will work to achieve a market share similar to what we have with Insecticides & Repellents. Earlier, we mentioned our plans for a 30% reduction in the number of SKUs tracked, and over the course of the new Medium-Term Business Plan we will be determining what categories to exit, freeing up resources to allocate to other areas. As such, our focus in the Domestic market will be squarely on profits, as opposed to sales.

Additionally, we have plans to build a foundation across the whole of the Earth Group. As I believe you are aware, the Earth Corporation is the core of our operations, but the Earth Group also consists of Hakugen Earth and BATHCLIN, with the Earth Environmental Service as a separate entity within Total Health Care System. The three companies of Earth Corporation, Hakugen Earth, and BATHCLIN have generated some intra-Group synergies over the past decade or so, and we intend to restructure efforts in this area as well. We also have plans to close unprofitable manufacturing plants. These are therefore the main drivers within the new Medium-Term Business Plan. Completing these goals over the course of COMPASS 2026 will allow us to progress to the next Medium-Term Business Plan after that, in 2027 and beyond, with a structure adapted to current times and the external market environment, and allowing us to deliver robust profits. We have plans and strategies to this end, and - at the risk of sounding overly dramatic - for COMPASS 2026, we were faced with two choices: we could either neglect to unlock Group synergies and restructuring and therefore deliver results in line with fiscal year 2023's performance, or withstand some short-term pain in fiscal year 2024 in order to grow later on. I chose the latter option.

# Vision



## Become one of the Top 5 manufacturers of Household products in Asia by 2030



© Earth Corporation All Rights Reserved.

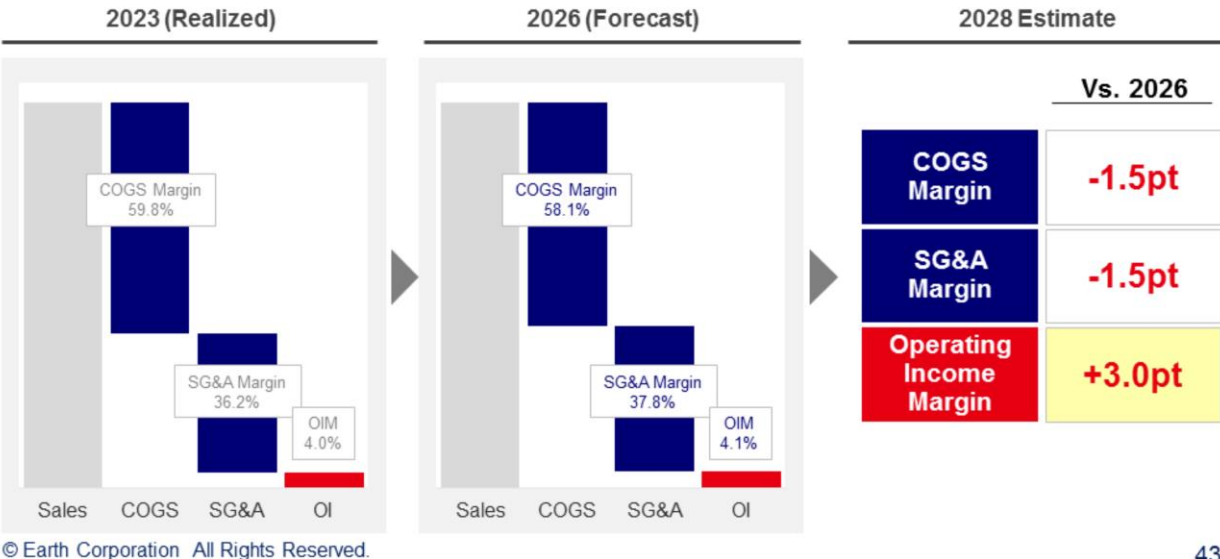
42

Next is our vision for 2030. Naturally, this includes efforts in Japan, as well, but we will aim to become one of the top 5 manufacturers of Household products in Asia by 2030. We have conveyed this message internally to employees at the Earth Group, in a forward-looking manner. Earth is already number three in Insecticides & Repellents, so we will be putting in place a foundation allowing us to secure the number two spot, and we believe growing our market share in each country to be important in achieving this. We currently hold the number one spot in Japan, and we believe we will be able to secure the number one spot in other countries for the first time as well during COMPASS 2026, as we work to expand our share in different regions whenever possible. As I mentioned earlier, during COMPASS 2026, we will carry out a selection process across all categories in Household products, in order to focus on our core competencies. Our vision also includes human resources and enhancing our management foundation, and indeed, employees are everything, so we will work to address their needs. This is a bit of a chicken and egg situation, but we will work to secure human resources into the future.

# Earnings Structure Target for 2028



- Transform the earnings structure and continue price revisions, making steady progress toward achieving our quantitative targets for 2026.
- In 2027 and beyond, we expect to reap the fruits of this transformation and improve profitability.



43

Last is the earnings structure target for 2028. Admittedly, 2028 is still rather far away, but we believe in formulating specific quantitative targets, as we did here on the right-hand side of the page, which contains a comparison between the estimates for 2026 and 2028. As you can see, one of our targets going forward is reducing the cost of goods sold margin. As Mr. Furuya mentioned earlier, higher inputs translate into an increase in the cost of goods sold, but this impact happens with a lag of around a year. This is because we procure all the necessary materials and inputs one year in advance, so a difficult issue we face this fiscal year stems from the fact that we had to procure inputs at peak prices. This time lag is a feature of our operations, and we expect this time lag of approximately one year to continue into the future. We have plans to carry out more cost pass-throughs from price revisions in our core categories this fiscal year, so ultimately, we intend to reduce the cost of goods sold margin by 1.5 points. Against this backdrop, we also ultimately expect to be able to reduce SG&A expenses and aim for an operating income margin around 8%, or more specifically, for an improvement of 3 points, which should put us at just over 7%. These are quantitative targets, and we believe these are within reach following the execution of structural transformation and Group restructuring.

The message I would like to drive home to stakeholders the most is that now that the pandemic is behind us, and taking into account the business and consumption environment in Japan, this three-year period is the time to put in place a structure allowing us to realize continued, sustained growth. Rather than building this structure from scratch, our approach is one of keeping the positive parts while carrying out restructuring to rectify the negative parts. Doing this is the challenge management at the Earth Group faces, and we believe that successfully navigating these challenges will allow us to put in place a lean structure. We see a path toward this goal, so this three-year period will be dedicated to execution. For the lack of a better word, we will be prioritizing structural transformation over profits during this three-year period, closing down and reducing unprofitable operations. This is the message we want to convey to stakeholders.



This presentation contains forward-looking statements and financial results forecasts. These forward-looking statements and financial results forecasts were formulated on the basis of company assumptions based on the information available. These statements and forecasts are subject to risks and uncertainties that could cause actual results to differ materially from those described.

This concludes my presentation. Thank you for your time.