



Earnings briefing materials for the fiscal year ended December 2020

02/10/2021

Representative Director & President
Katsunori Kawabata



Earth Corporation

Agenda



- **Financial Highlights of FY12/2020**
- **Regarding the 2021-2023 Medium-term Business Plan**
- **Outline of the Full-year FY12/2021 Forecast**



Earth Corporation

Financial Highlights of FY12/2020

Financial Highlights of FY12/2020



★ 2020 Results summary

■ Achieved the best sales and operating income performance in company history

□ Operating income YoY 291.5% VS. Forecast 248.2%

□ In addition to an increase in sales and gross margin improvement, we registered the steady results of the company's cost control strategy

■ Domestic: The “New Normal” brought seismic market changes

➔ “Adapt to change”

□ Insecticides & Repellents: Shifted to high-margin products, greatly reduced product returns

□ Household products : bath salts, masks, disinfectants, household detergent, etc., posted a strong performance

■ Overseas: Steady improvements to profitability

■ Registered an extraordinary loss of 3.99 billion yen from a goodwill impairment loss on ECV

FY 12/2020 Results Highlights

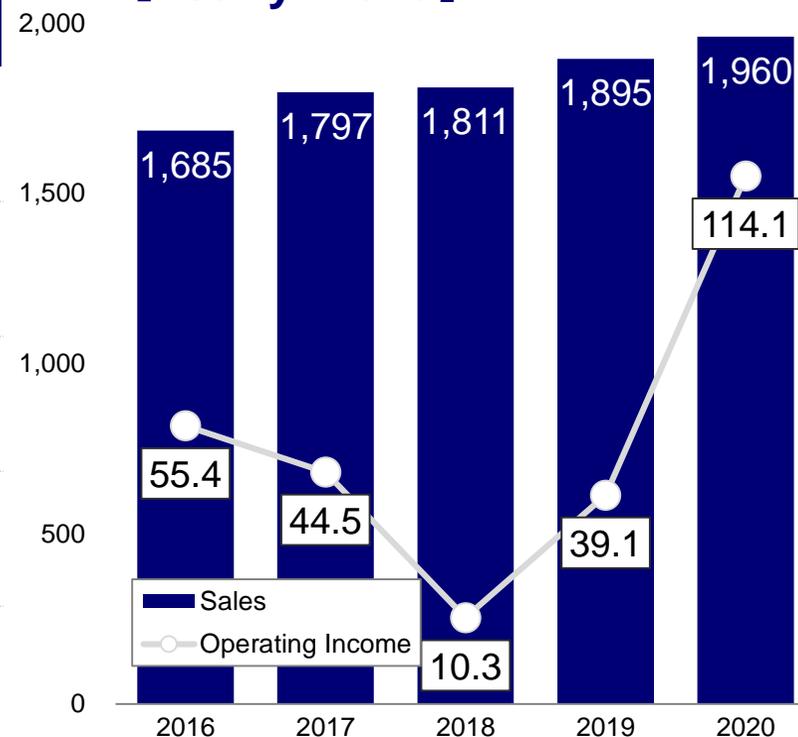


- Offset the negative impact of the dissolution of the contract with Reckitt Benckiser and a goodwill impairment loss
- Achieved the best performance in company history, for sales and for all income metrics.

(Unit: 0.1 billion JPY)

	2019 (Realized)	2020 (Forecast)	2020 (Realized)
Sales	1,895	1,870	1,960
Gross Profit	704.1	726.0	789.5
Operating Income	39.1	46.0	114.1
Ordinary Income	43.2	50.0	116.6
Net Income	12.5	25.5	35.4

【Yearly Trend】



Quarterly Results



(Unit: 0.1 billion JPY)

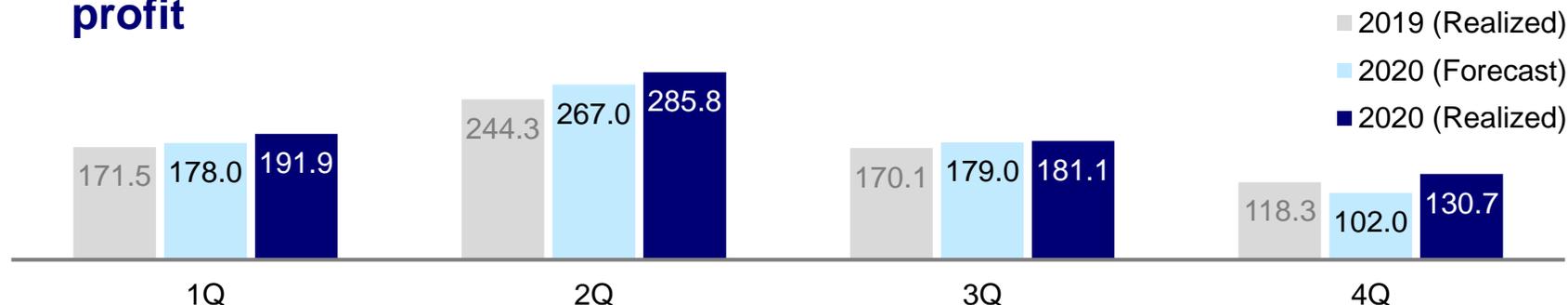
- Executed cost controls to appropriate levels and reformed the profit structure, allowing for the steady generation of profits under all market circumstances

Gross Profit

Cumul. YoY diff.
+ 85.3

Cumul. diff. vs. forecast
+ 63.5

- A change in the sales structure resulting from an increase in revenue and strong sales of high-margin products contributed to higher gross profit

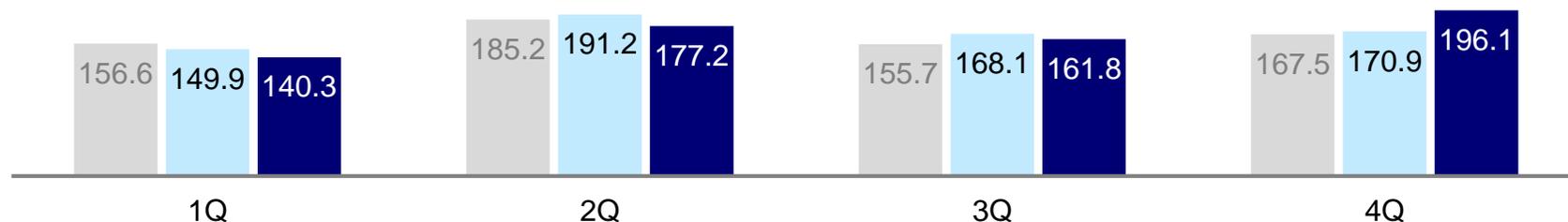


SG&A

Cumul. YoY diff.
+ 10.3

Cumul. diff. vs. forecast
- 4.6

- SG&A expenses decreased as a result of a decrease in the percentage ratio of marketing expenses to total expenses, and the curbing of operations as a result of the COVID-19 pandemic

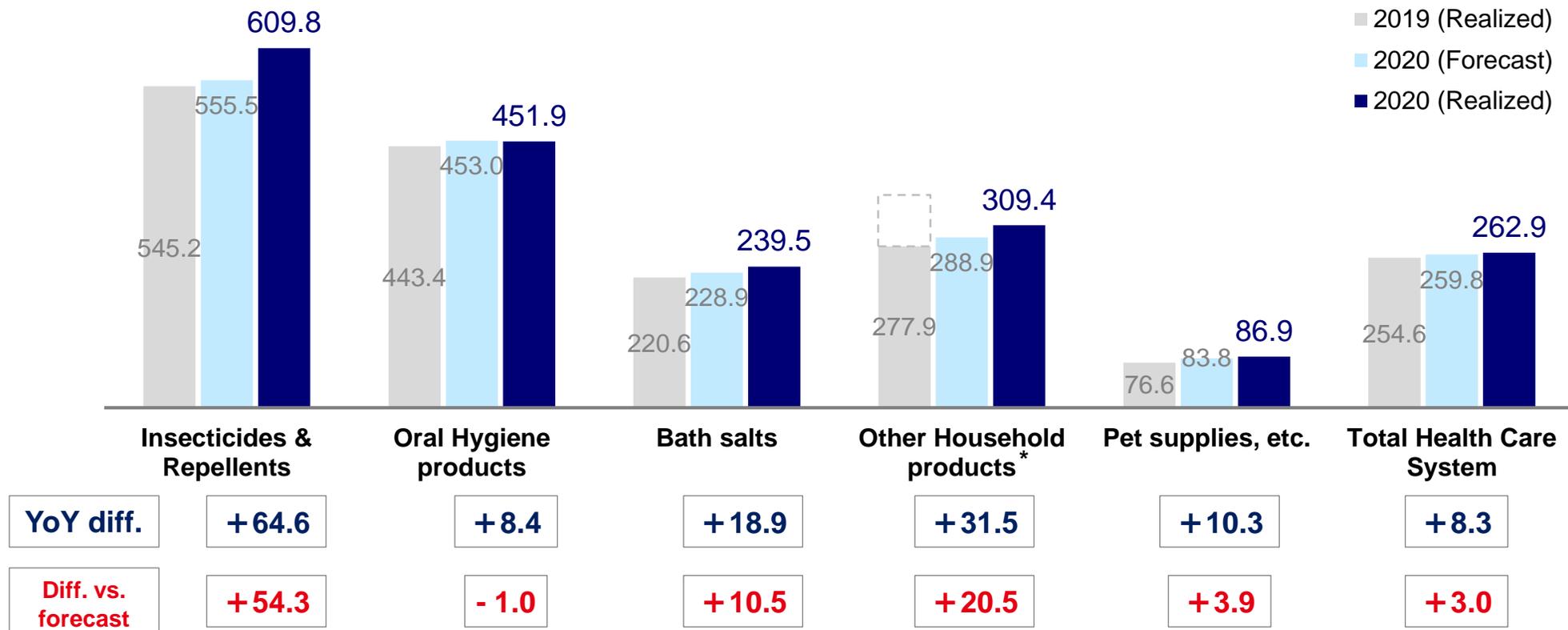


Sales by Segment (to Outside Customers)



(Unit: 0.1 billion JPY)

- **All categories achieved sales growth**
- **Insecticides & Repellents: shifted to high-unit-price, high-margin products and greatly reduced product returns**
- **Household products: Surge in stay-at-home demand, leading to strong sales for bath salts, masks for household use, disinfectant, etc.**

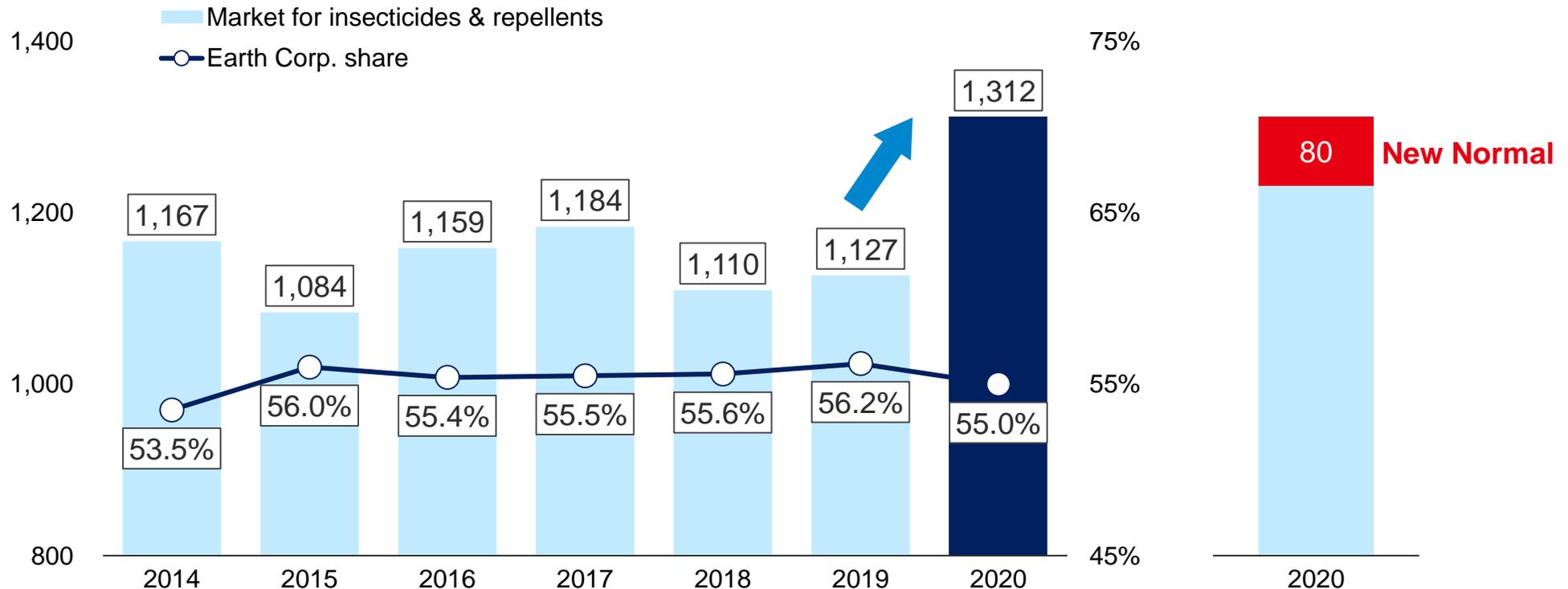


Overview of the Market for Insecticides & Repellents



- The “New Normal” has brought seismic market changes
- Favorable meteorological conditions represented a tailwind, helping the market grow significantly, by **116% YoY**, reaching its largest scale to date

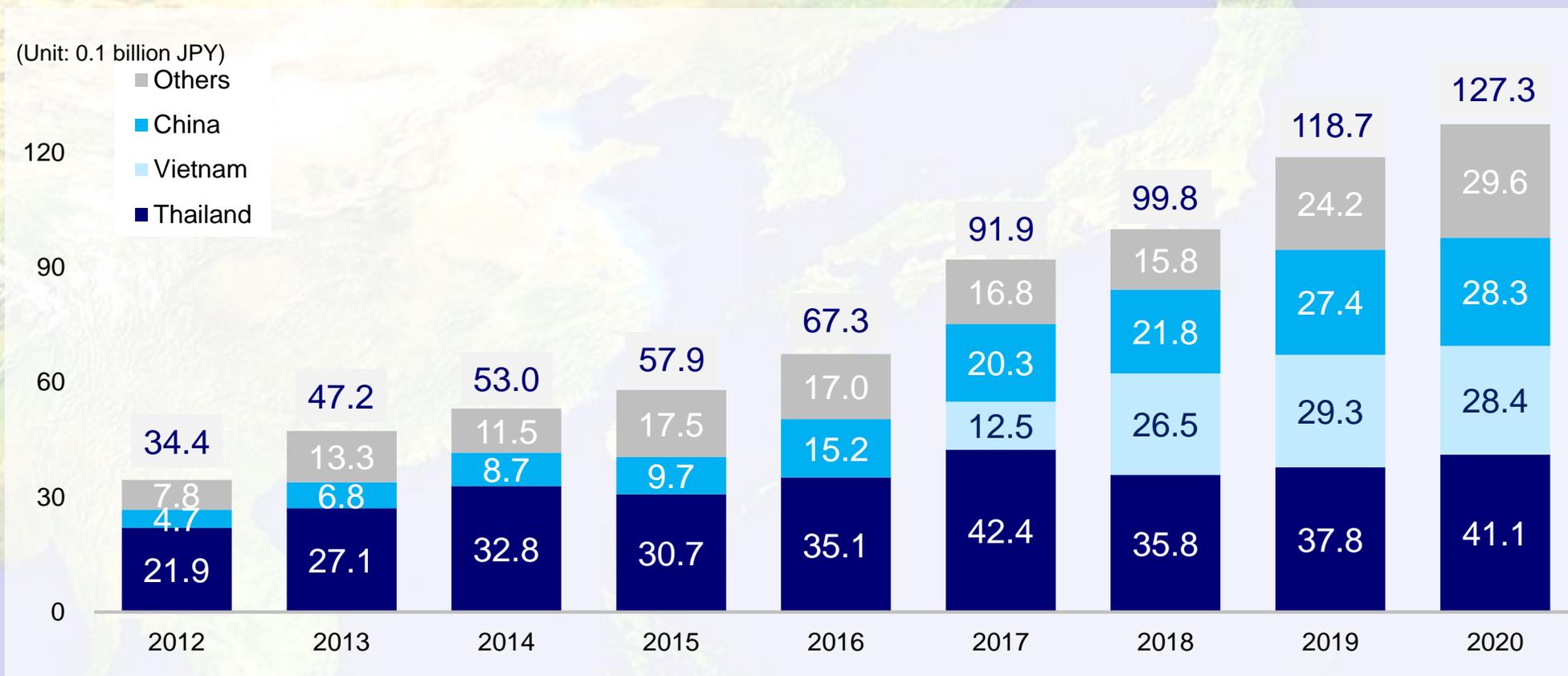
(Unit: 0.1 billion JPY)



Overseas Sales

- Sales continue growing at a steady pace, primarily in Thailand and China
- In each local currency (YoY) : Thailand 114%, Vietnam 101%, China*112%

* Excluding OEM sales



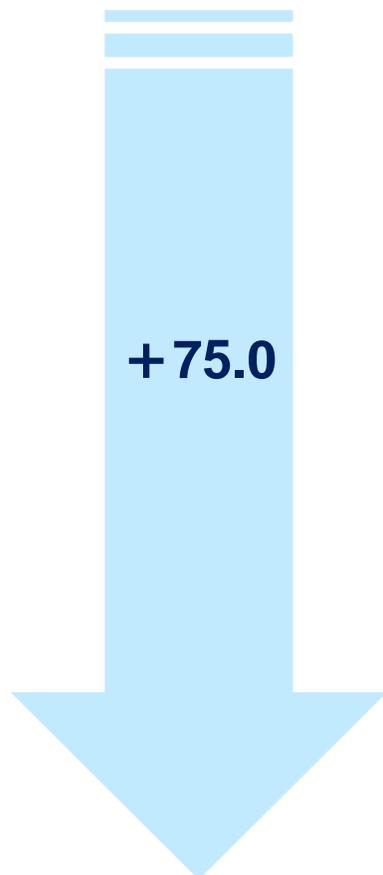
Operating Income Change Factors (YoY)

(Unit: 0.1 billion JPY)

39.1

2019 (Realized)

<Breakdown>



Positive impact from Gross Profit +85.3	• Increase in gross profit due to an increase in sales	+52.9
	• Impact from changes in the sales composition ratio	+32.4
Negative impact of SG&A expenses -10.3	• Increase in personnel expenses	-17.7
	• Increase in distribution expenses	-2.1
	• Decrease in advertising expenses	+1.3
	• Decrease in sales promotion expenses	+2.8
	• Decrease in travel & social expenses (Including impact of COVID-19)	+7.3
	• Decrease in goodwill amortization	+1.5
	• Others	-3.4

114.1

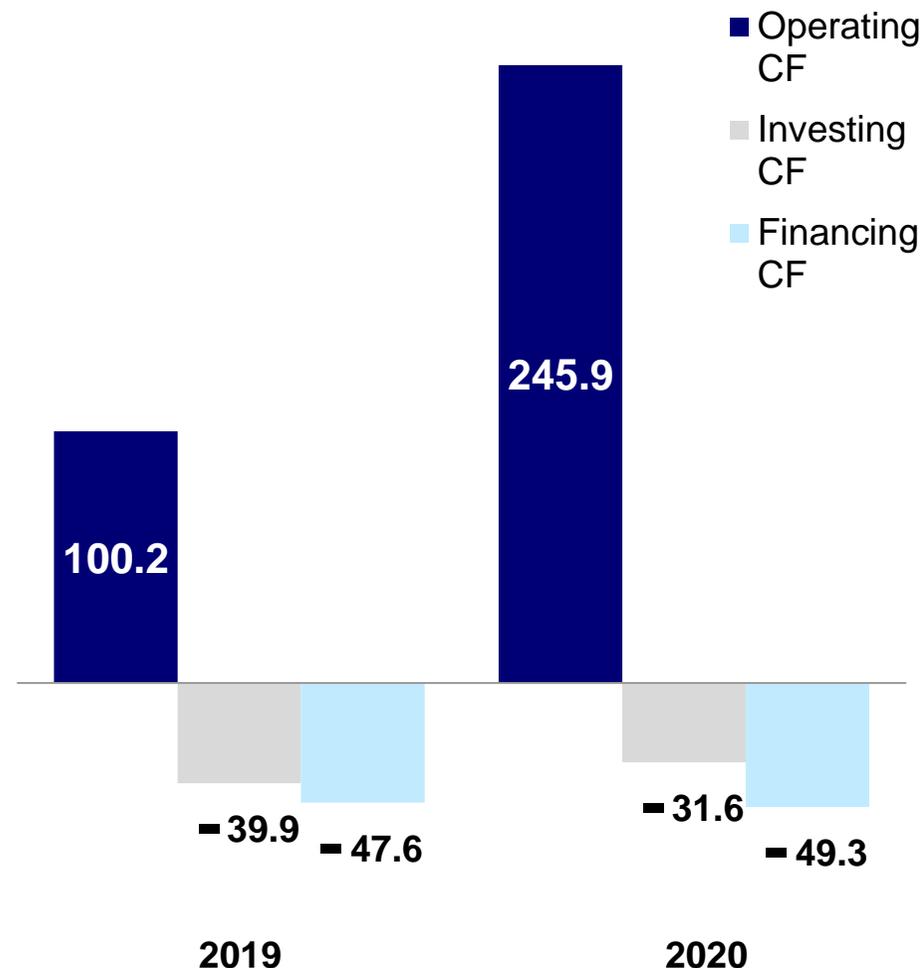
2020 (Realized)

Cash Flow Balance

- Free cash flow increased significantly, as we raised capital and saw an increase in earnings power

(Unit: 0.1 billion JPY)

	2019	⇒	2020
Operating Cash Flow	100.2	⇒	245.9
Net Income Before Income Taxes	33.7	⇒	72.8
Depreciation Expenses	33.3	⇒	33.3
Amortization of Goodwill	32.5	⇒	28.4
Impairment Loss	-	⇒	38.3
Increase in Accounts Receivable	- 5.7	⇒	-2.0
Decrease (Increase) in Inventories	12.9	⇒	3.0
Increase (Decrease) in Notes and Accounts Payable-trade	- 9.4	⇒	49.7
Investing Cash Flow	- 39.9	⇒	- 31.6
Purchase of Property, Plant & Equipment	- 23.8	⇒	- 22.9
Purchase of Stock of Subsidiaries & Affiliates	- 7.0	⇒	- 0.5
Financing Cash Flow	- 47.6	⇒	- 49.3
Issuance of Stock (Incl. Stock Acquisition Rights)	-	⇒	125.9
Increase (Decrease) in Loans Payable	- 21.9	⇒	- 153.0
Cash Dividends Paid	- 23.2	⇒	- 20.2
Free Cash Flow	60.3	⇒	214.3





Earth Corporation

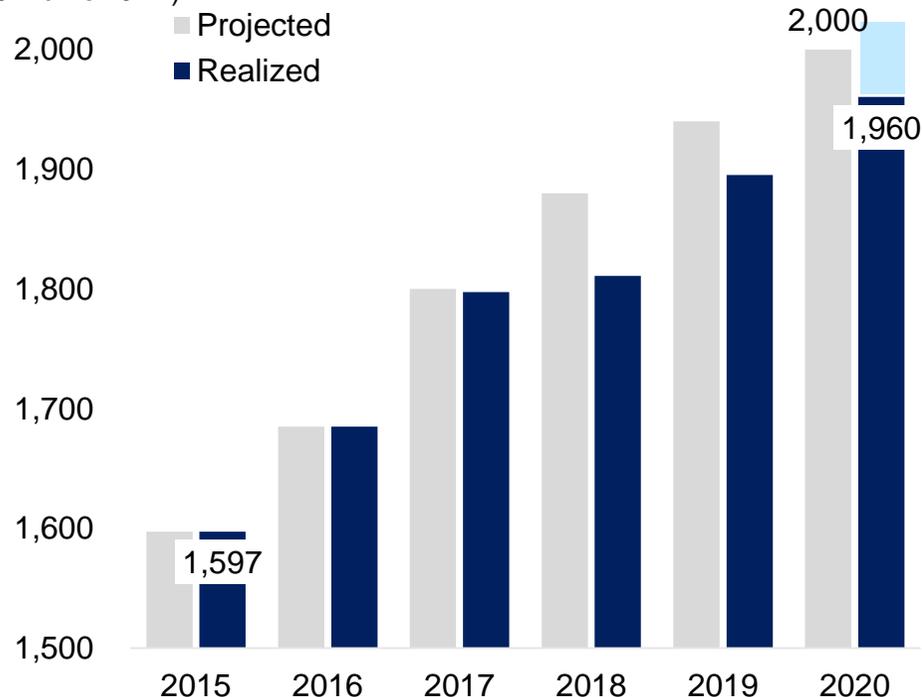
Outline of the 2021-2023 MTBP

Review of the MTBP (2016 – 2020)

- In addition to a drastic revision to the MTBP in 2019, we are in the process of carrying out profit structure reform
- We effectively achieved our sales target*, and ordinary income expanded to **2.73 times** 2015 levels

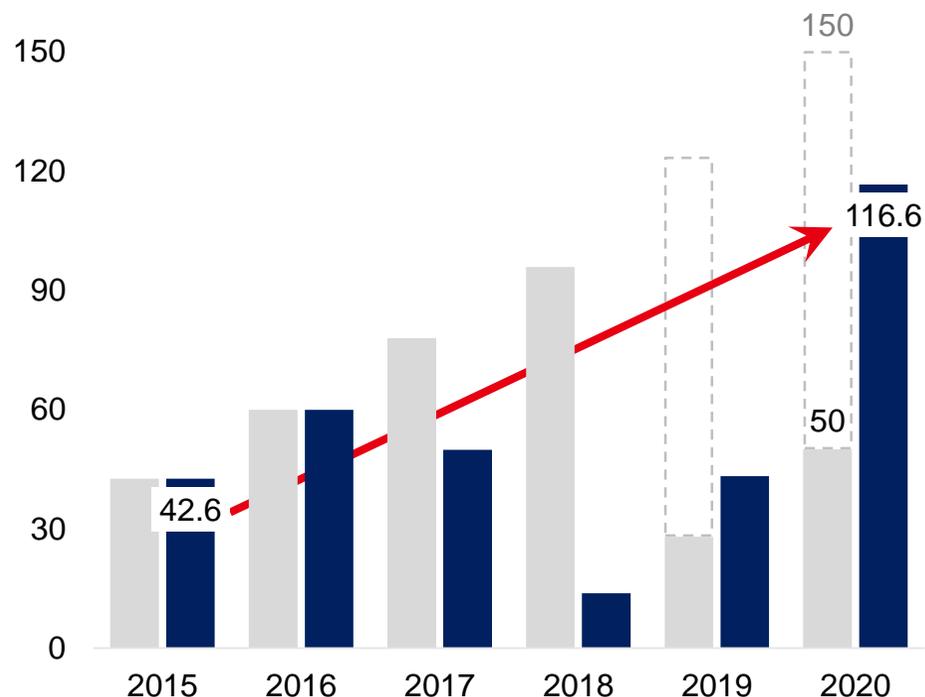
【Sales】

(Unit: 0.1 billion JPY)



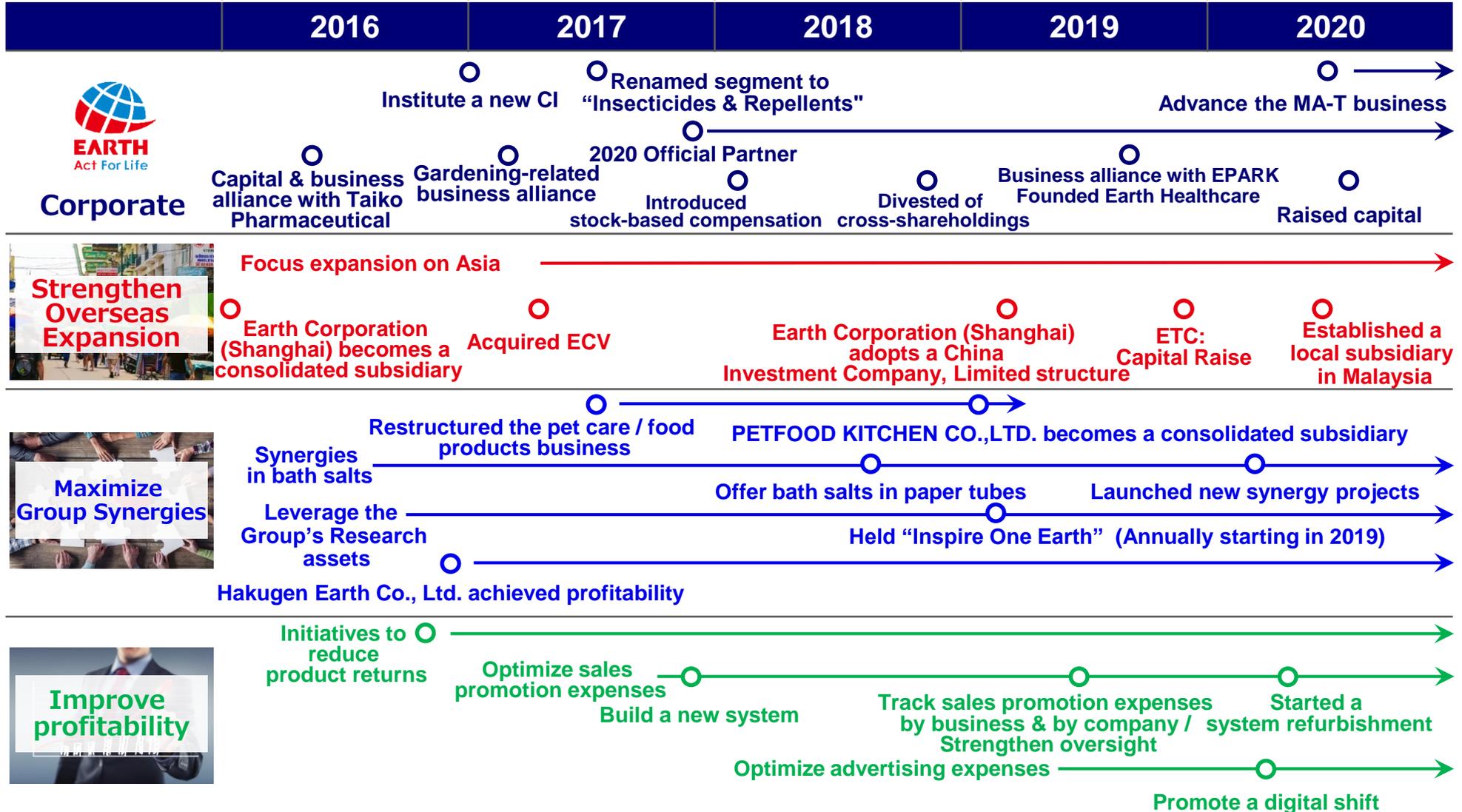
【Ordinary Income】

(Unit: 0.1 billion JPY)



* Earth Corporation's business alliance with Reckitt Benckiser, plc. was dissolved in fiscal year 2019; Fiscal year 2019 sales were 7.7 billion yen

Overview of Initiatives Within MTBP (2016 - 2020)



Insecticides & Repellents Segment: Results from Initiatives to Reduce Product Returns

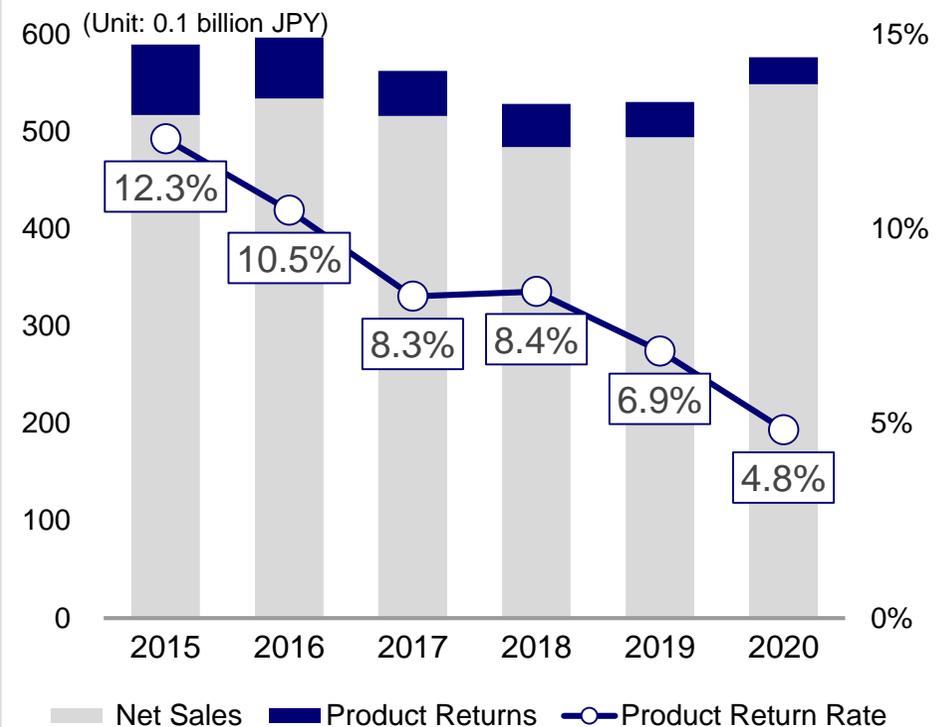


- Product Return Rate: 12.3% (2015) ➔ **4.8%** (2020) Significant improvement
- Profit Contribution Amount: **2.7billion JPY** (Compared to 2015)

Reducing Product Returns : Overview of Initiatives

- **Secure sales throughout the year**
 - ▶ Early deployment, continued deployment late into the season
 - ▶ Expand sales space for staple products sold all year round
- **Change in the agency distribution system**
 - ▶ Establish rebates tied to the reduction of product returns
- **Establish items to curb product returns ➔ Expand**
 - ▶ Eliminate product returns, primarily of staple products sold all year round

Insecticides & Repellents Segment: Trend in Product Returns



Control Marketing Expenses

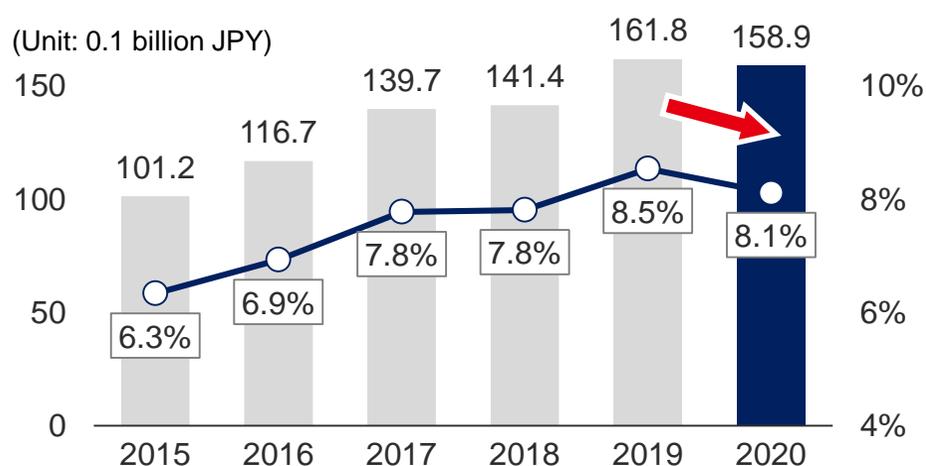
- Manage marketing expenses as sales promotion expenses + advertising expenses
- Track marketing expenses in real time and advance to a system allowing us to implement measures

Controlling Sales Promotion Expenses

- Track profitability by company and category
- Adopt Marginal Operating Income* as an evaluation metric

* Marginal Operating Income = Gross Profit – (Sales Promotion + Distribution costs)

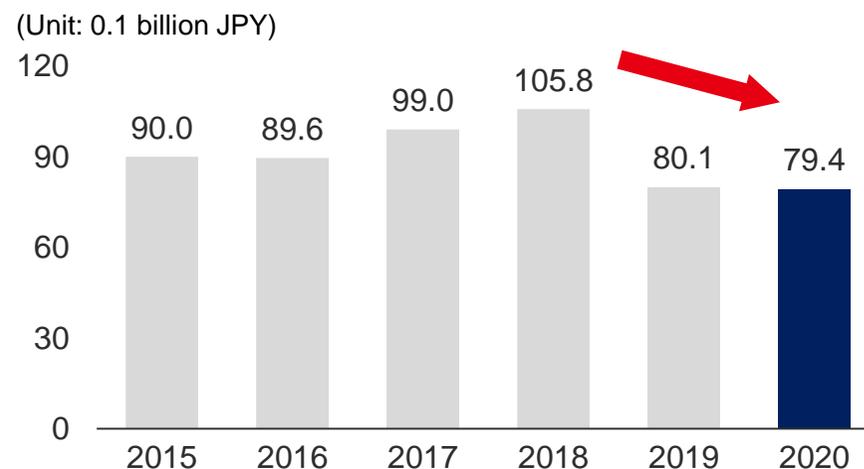
Trend in Sales Promotion Expenses



Controlling Advertising Expenses

- Optimize the timing of advertising expenses
- Promote a digital shift

Trend in Advertising Expenses



Outline of MTBP (2021 – 2023)

- Advance and expand upon MTBP (2016 – 2020) initiatives
- Redefine a Group-wide evaluation compass, with a view toward structural reform



2023 Quantitative Targets / KPI

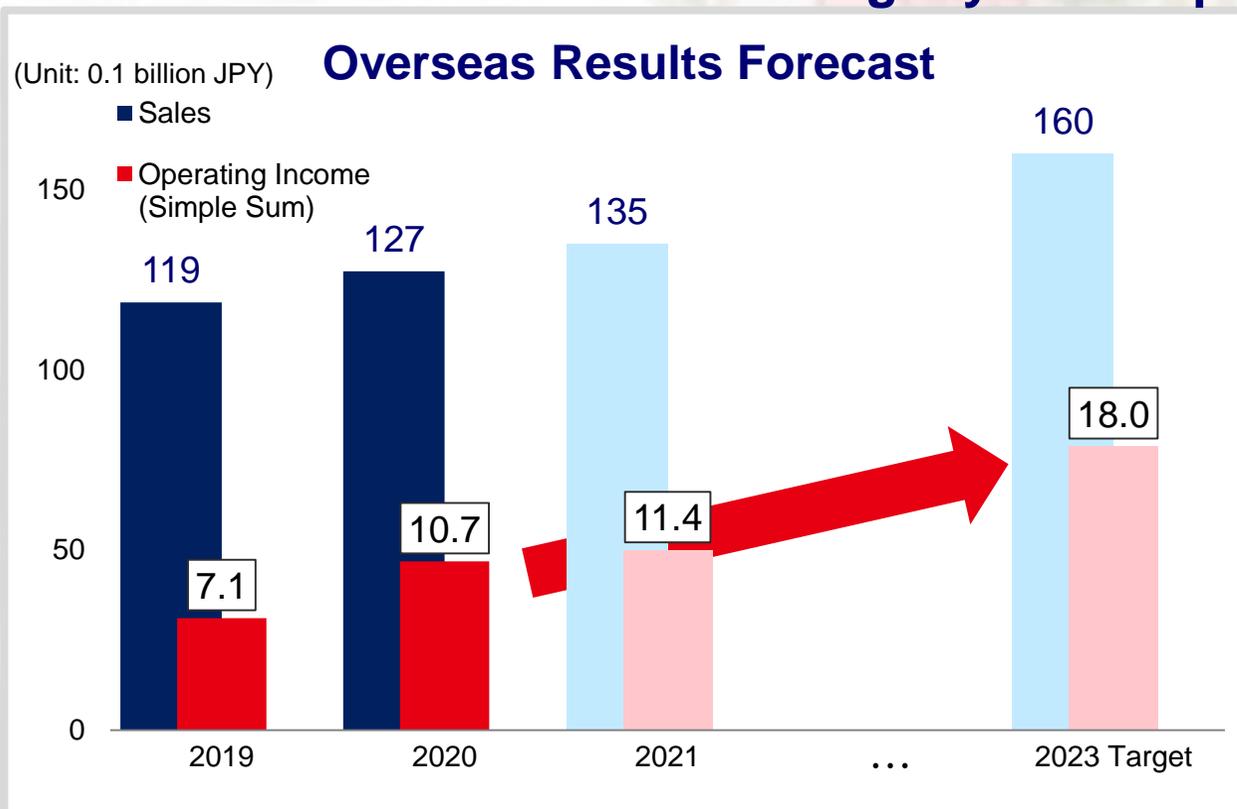


	Indicator	Scope
【Profitability】	<ul style="list-style-type: none"> • Sales Marginal Operating Income = Gross Profit - (Sales Promotion + Distribution costs) 	<ul style="list-style-type: none"> • Evaluate the profitability of sales activities
	<ul style="list-style-type: none"> • Contribution Income = Operating Income + Indirect Department costs 	<ul style="list-style-type: none"> • Evaluate profitability on a segment and category basis
【Capital Efficiency】	<ul style="list-style-type: none"> • Cost of Capital 	<ul style="list-style-type: none"> • Decision to execute an investment project

	2020 (Realized)	2023 (Forecast)	Change
Sales	196.0 _B JPY	▶ 213.0 _B JPY	+17.0 _B JPY
Operating Income	11.4 _B JPY	▶ 14.0~16.0 _B JPY	+2.6~4.6 _B JPY
Net Income	3.54 _B JPY	▶ 10.0 _B JPY	+6.45 _B JPY
ROE	7.4%	▶ 13.0% or above	+5.6pt or above
DOE	5.1%	▶ 4.0% or above	

Expand Profit Foundation in Asia

- Increase market share in each country, by developing and commercializing products tailored to the needs of the local consumer
- Further carry out profit structure reform in order to make overseas expansion and operations a growth driver
- Consider the use of M&A to magnify the scope of expansion



Focus Regions

- **Existing Presence**
 - ▶ Thailand
 - ▶ Vietnam
 - ▶ China
 - ▶ Saudi Arabia
- **New Regions**
 - ▶ Malaysia
 - ▶ CLM*
 - ▶ Philippines

* Cambodia, Laos, Myanmar

Overseas Strategy: ASEAN

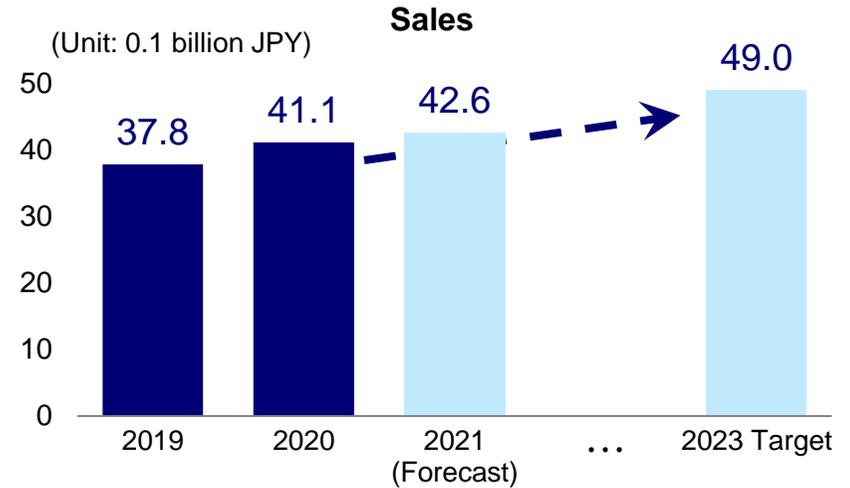
Thailand

- **Improvements to the profit structure**

- ▶ Effective use of marketing expenses
- ▶ Improve inventory efficiency
- ▶ Improve profitability through an in-house structure

- **Focus categories**

- ▶ Insecticides & Repellents
- ▶ Air Fresheners
- ▶ Mouthwash



Vietnam

- **Strengthen sales through the southern route (HCMC)**

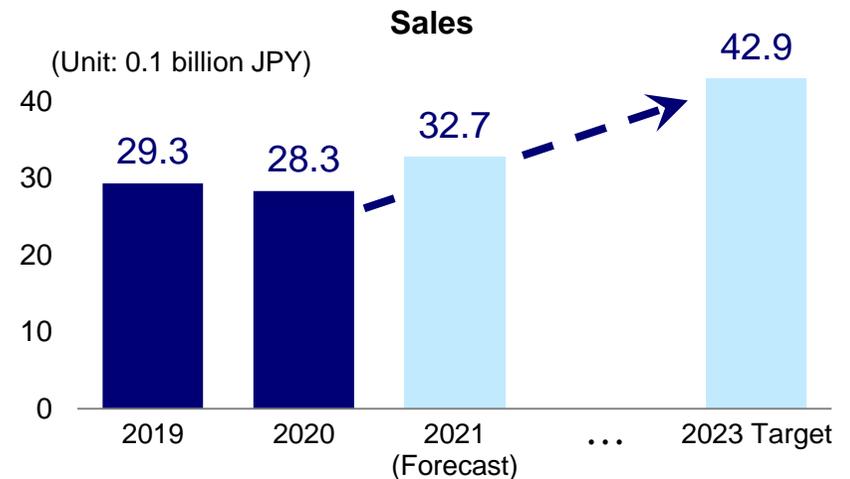
- ▶ Increase product distribution numbers

- **Establish an OEM production structure leveraging geographical advantages**

- ▶ Supply products and materials to Japan

- **Focus categories**

- ▶ Insecticides & Repellents



Overseas Strategy: China, Exports / Cross-border EC

China

- **Leverage the strengths of an Investment Company, Limited structure**

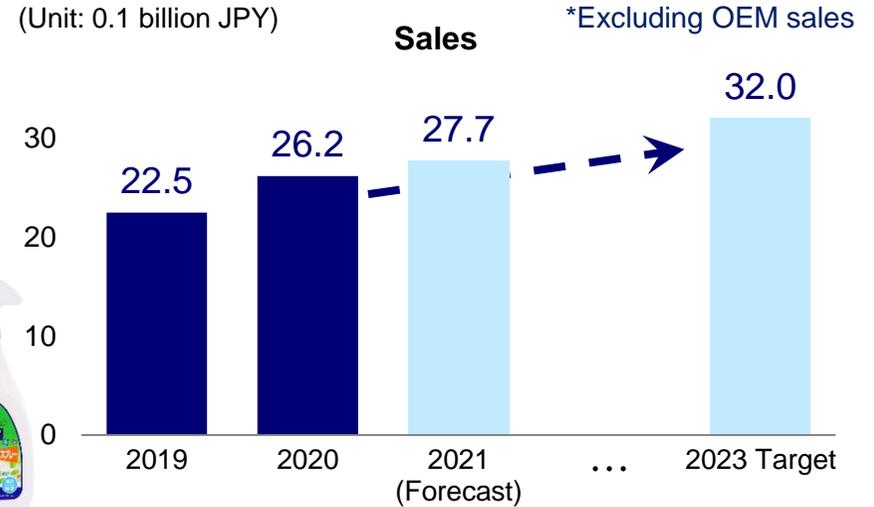
- ▶ Centrally manage production and sales
- ▶ Facilitates access to financing within China

- **Allocate resources to EC channels**

- ▶ Selectively carry out promotions



(Unit: 0.1 billion JPY)



Exports / Cross-border EC

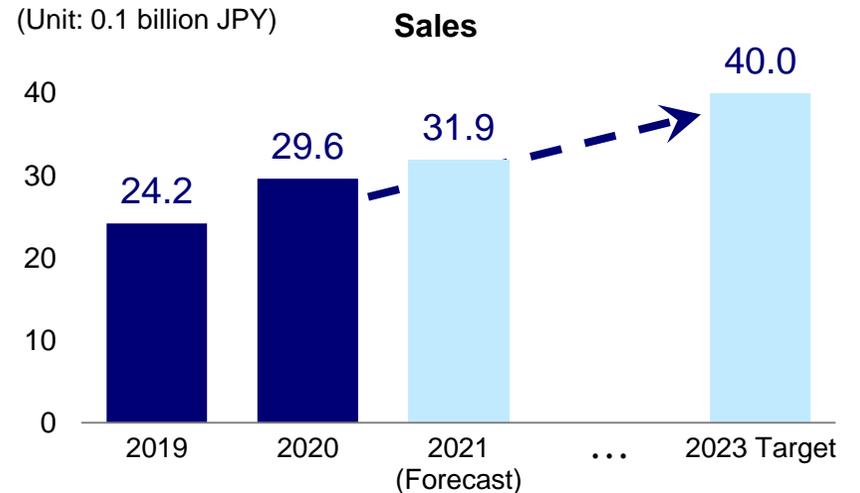
- **Exports**

- ▶ Mainly to Saudi Arabia and Taiwan
- ▶ Launch products tailored to the needs of consumers in each country

- **Cross-border EC**

- ▶ Focus on Black Cap-brand cockroach traps and on insect repellent for clothing
- ▶ Launch high-margin products

(Unit: 0.1 billion JPY)

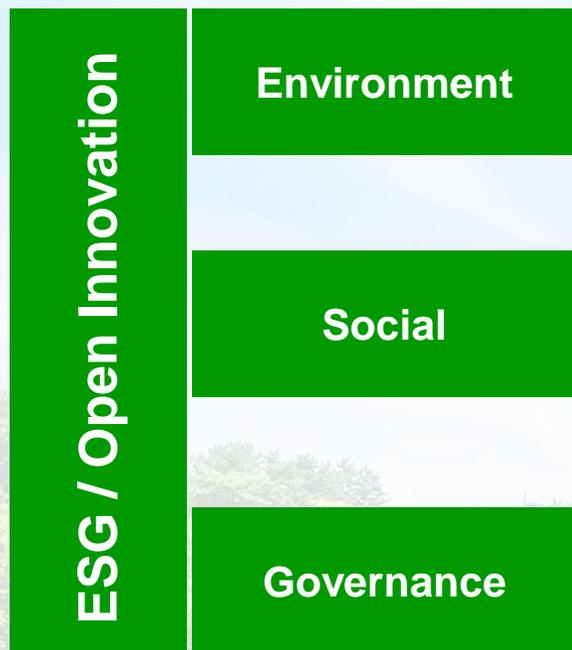


Promotion of ESG & Open Innovation



- Challenge ourselves to address issues contributing to the achievement of SDGs
- Realize open innovation through collaboration with outside parties

SDGs themes



- Initiatives toward reducing product returns and disposal waste



- Pursuit of sustainable materials

- Participation in WELCO Lab*
- Promote work style reform and aim to achieve recognition by METI as an outstanding company in health and productivity management



* Initiative by Japanese companies with the aim to solve issues in the domain of global health
 Founded in October 2020 with support from the BILL & MELINDA GATES foundation

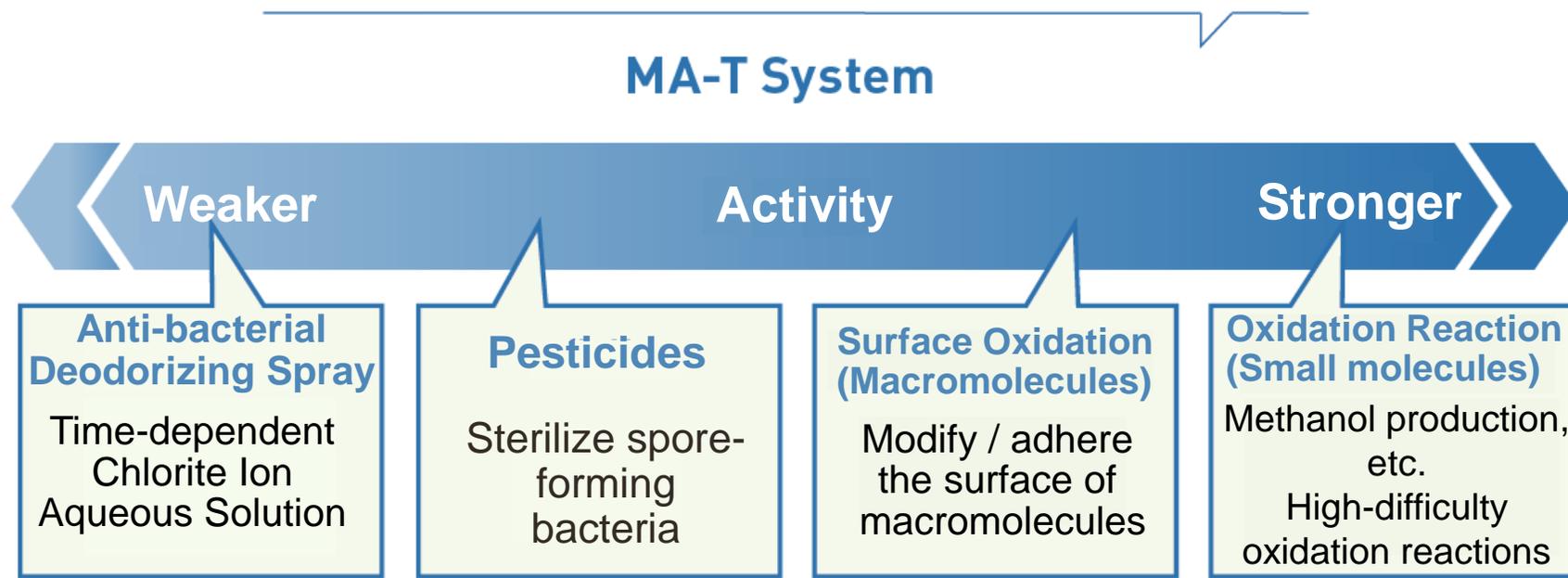
- Promote diversity
- Build a Group governance structure capable of generating synergies



Toward the Adoption and Value Improvement of MA-T

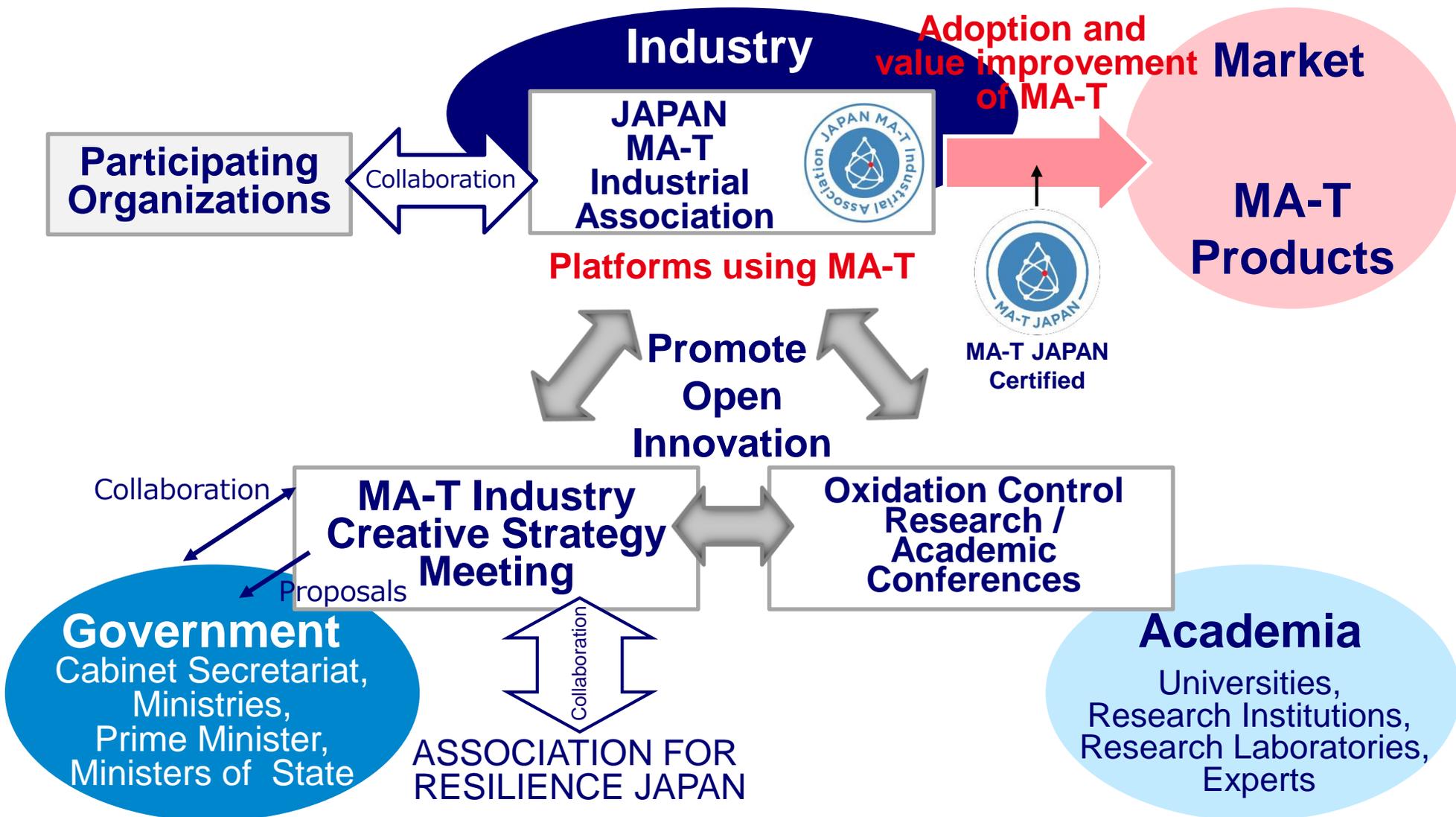
- We established the MA-T Industrial Association toward the adoption and value improvement of MA-T: Matching Transformation System, an innovative form of oxidation control technology born in Japan

MA-T is a **system** with a wide range of applications, allowing the use of **oxidation control technology** to **control the strength of molecular activity**



Source: JAPAN MA-T Industrial Association Website

Expand MA-T Through Collaboration Between Industry, Government and Academia



Investment Toward Growth

- Investment taking into account free cash flow
- Realize returns in excess of the cost of capital
- We expect to carry out these investments over the next three years

Use of Funds	Expected amount as of fundraising date		Expected investment amount	Investment Projects
• Investment toward the expansion of the profit foundation in Asia	5.5B JPY	▶	(5.5) 7.0B JPY	Investment in product development / marketing Funds for future M&A deals
• ESG / Innovation investment	3.0B JPY	▶	(4.0) 6.0B JPY	Related to MA-T
• Investment in ICT infrastructure / Promotion of DX	1.5B JPY	▶	(1.5) 4.0B JPY	Upgrade core systems Promote digital asset management
• New CapEx Investment (Excluding recurring investment)	—	▶	(1.5) 3.0B JPY	Strengthen infrastructure for core categories
• Debt Service	4.5B JPY	▶	—	

Act For SMILE

– COMPASS 2023 –

SMILE (Core Strategy)

- S System renewal for Synergy
- M Managerial Accounting
- I Innovation by MA-T
- L Lean Production
- E Engagement with employee

COMPASS (Standard of Conduct)

- C Customer First
- O Open Communication
- M Mind-set for evolution
- P Proactive challenge
- A Agility in Asia
- S Sustainability
- S Smile



Earth Corporation

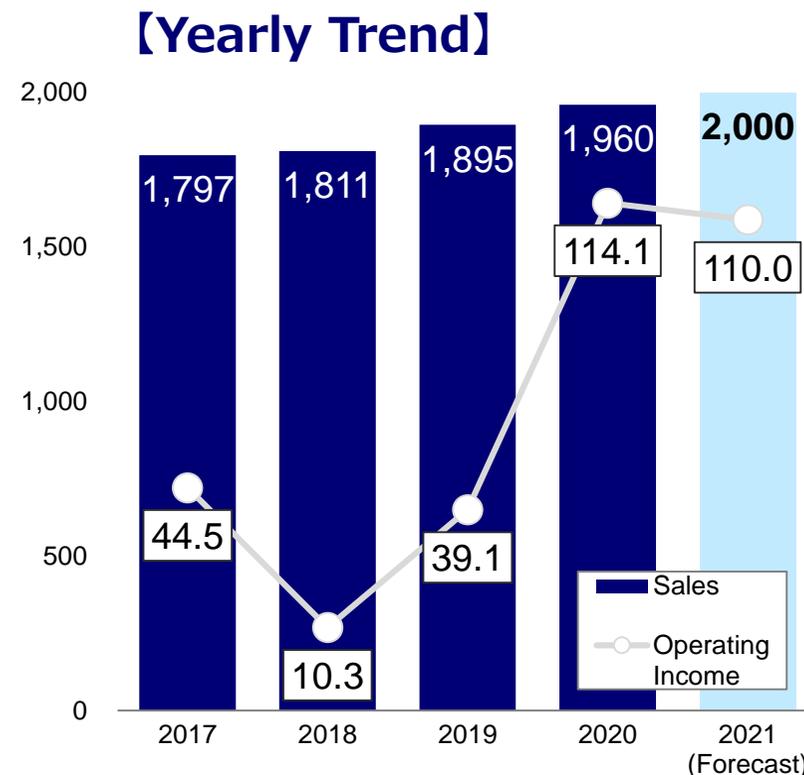
Outline of the Full-year FY12/2021 Forecast

Full-year FY12/2021 Forecast

- We expect to deliver the best sales and net income performance in company history
- We expect an operating income performance in line with fiscal year 2020 performance

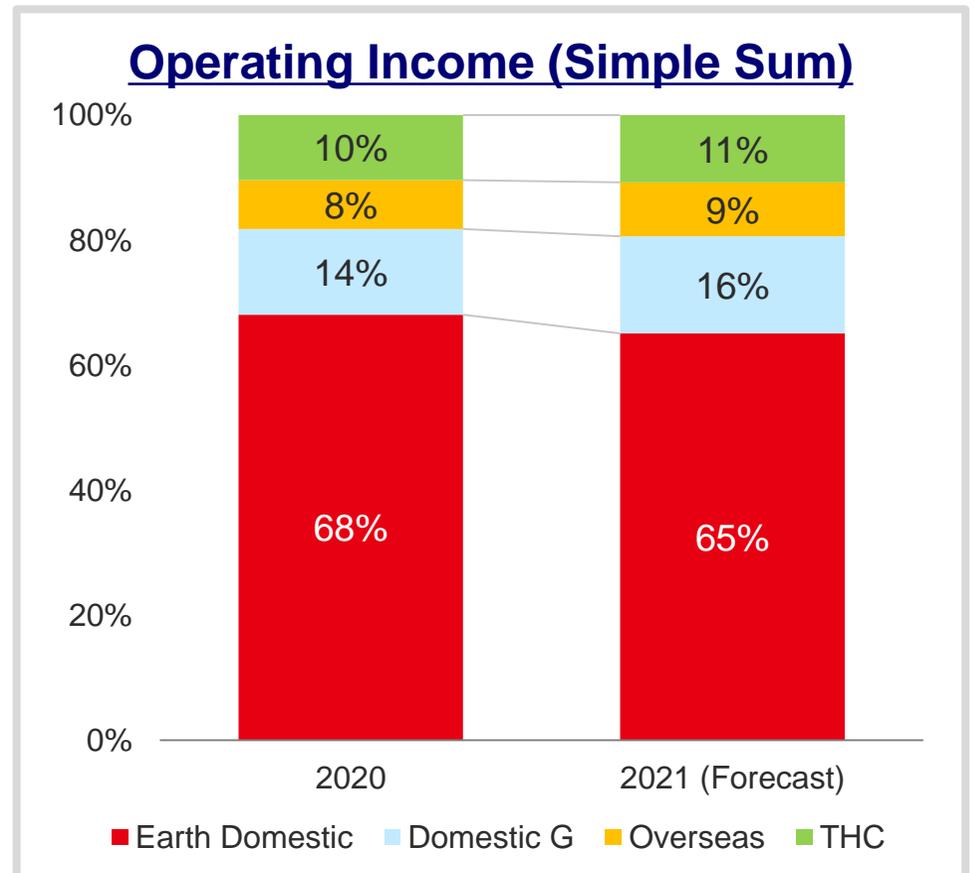
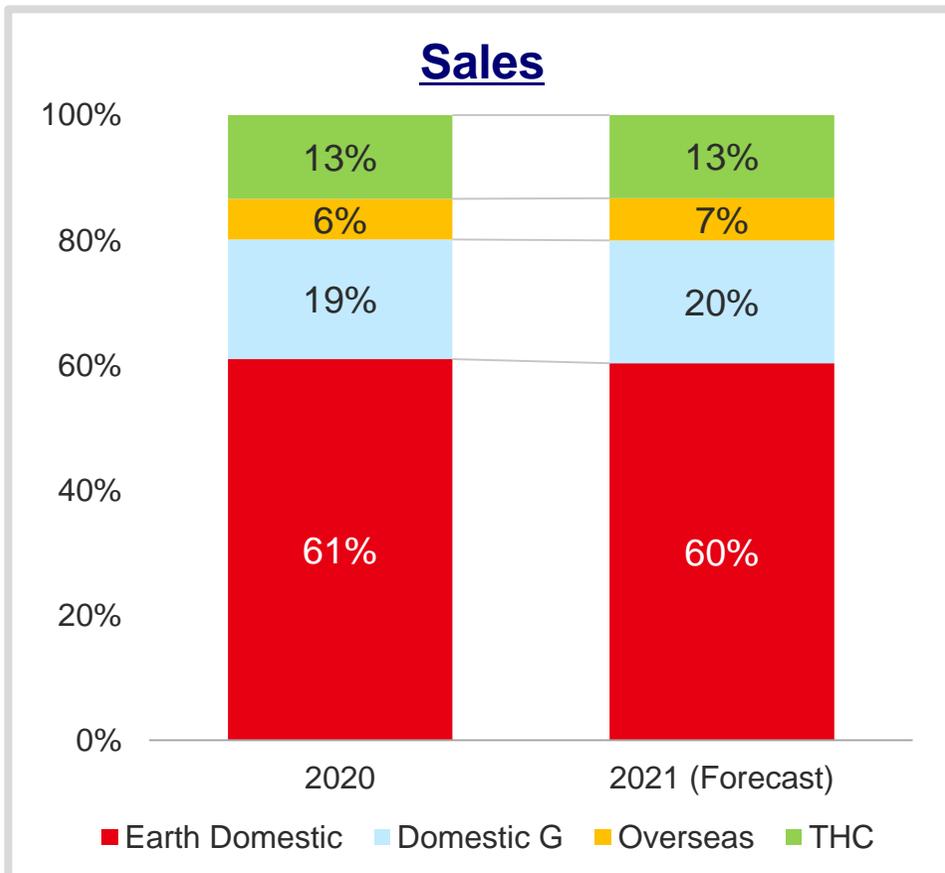
(Unit: 0.1 billion JPY)

	2020 (Realized)		2021 (Forecast)	Change
Sales	1,960	▶	2,000	+40.0
Gross Profit	789.5	▶	818.0	+28.5
Operating Income	114.1	▶	110.0	-4.1
Ordinary Income	116.6	▶	115.0	-1.6
Net Income	35.4	▶	70.0	+34.6
ROE	7.4%	▶	12.0%	+4.6pt



Sales / Operating Income Portfolio Representation

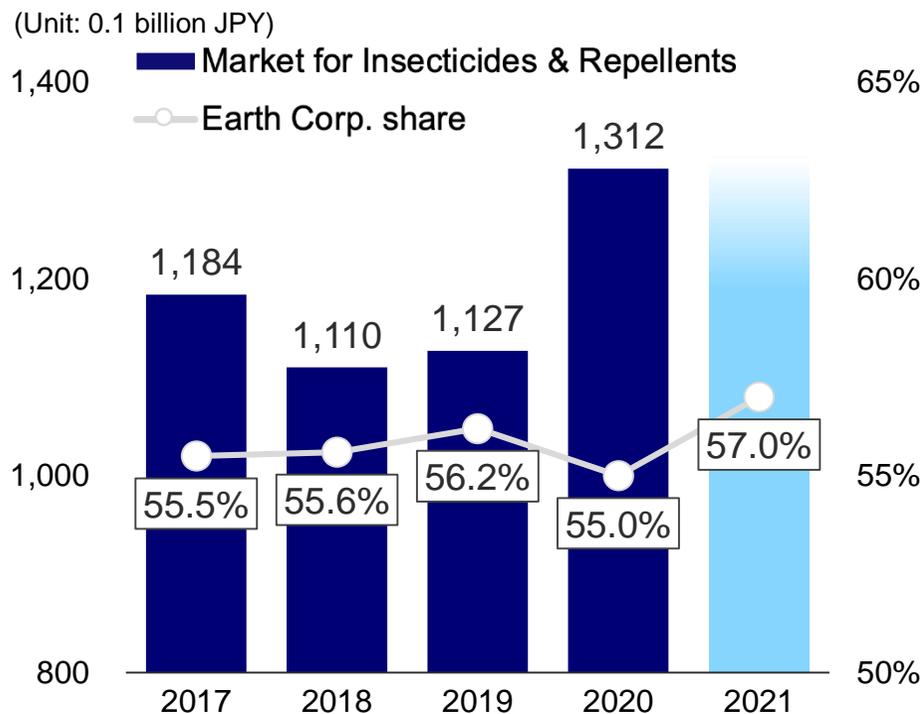
- While the Earth Corporation remains the core of our business, we will aim to increase the profit composition ratio for each Group company
- We will aim to build multiple profit sources and adopt a form of Group Management allowing us to operate flexibly in the face of changes in the business environment



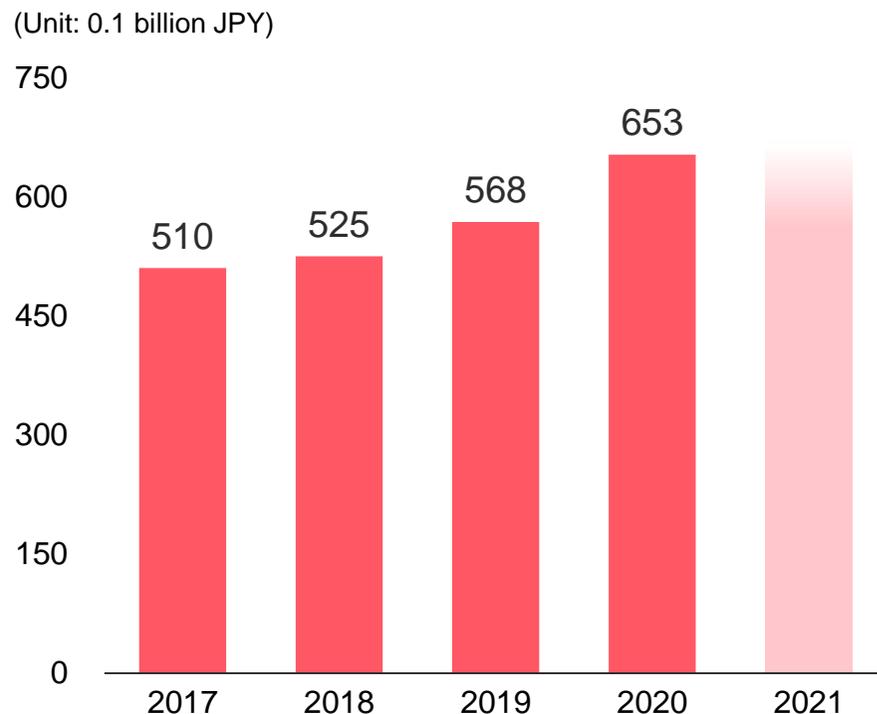
Business Environment

- The “New Normal” is here to stay: COVID-19 has brought seismic changes to the lives of consumers
- The increase in demand during COVID-19 is expected to continue, even after the pandemic ends
- We will be growing market share by launching new products and through the stable supply of products, irrespective of market trends

(Reference) Insecticides & Repellents – Market Forecast

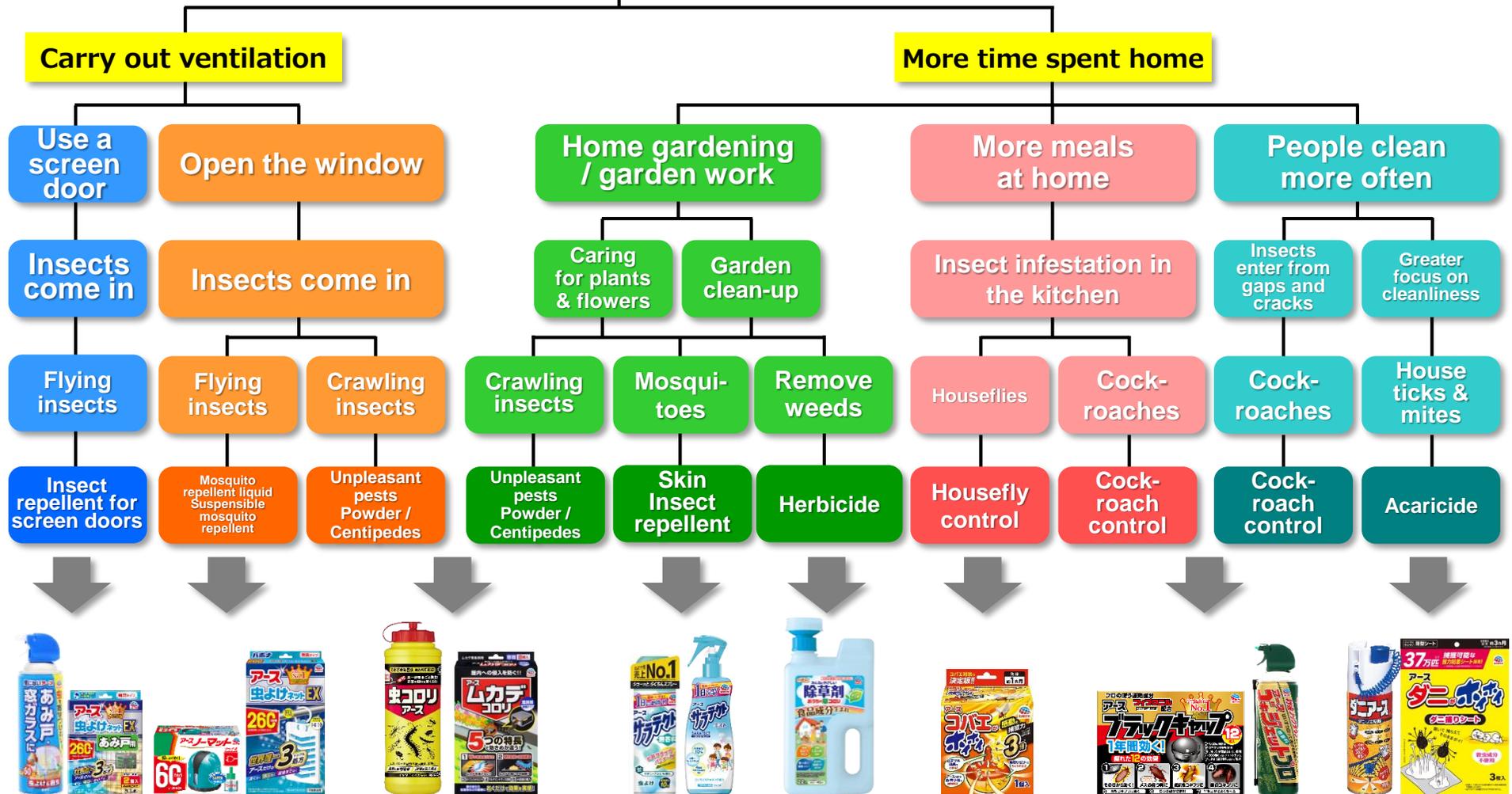


(Reference) Bath Salts – Market Forecast



(Reference) Products Adapted to the New Normal

Lifestyle changes due to COVID-19



Measures to Address Changes in Customer Needs

- Adapt to and address changing consumer needs brought about by the COVID-19 pandemic, and execute initiatives to increase market share (= consumer support), independent of the overall market environment

Launched the largest new product lineup in the industry

- Spring lineup: Launch 110 SKU
- Sales target for new products: 3.5 billion JPY

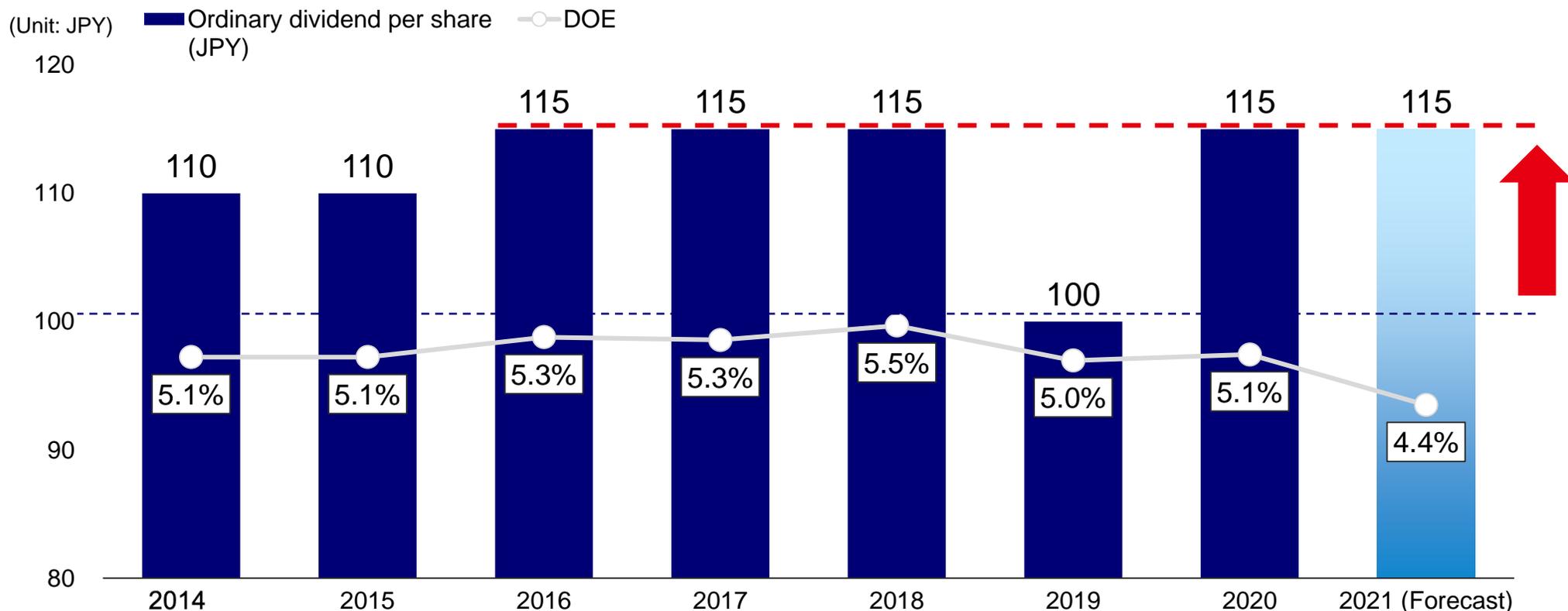


Reduce Sales Opportunity Loss

- Start production early
 - ▶ Start stockpiling products in the fall in order to address an increase in demand
- Expand inventory of product materials and components
 - ▶ Carry ample stock of materials and components with high lead-times
 - ▶ Reduce production time lag
- Expand production lines

Shareholder Returns

- Target a Dividend on Equity Ratio (DOE) of 4 - 5%, allowing for the stable and sustained distribution of dividends
- We forecast a dividend per share of 115 JPY and a DOE of 4.4%





EARTH

Act For Life

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.