



Earnings briefing materials for the fiscal year ended December 2021

02/16/2022

Representative Director & President
Katsunori Kawabata

Earth Corporation



Earth Corporation

Financial Highlights of FY12/2021

FY12/2021 Results



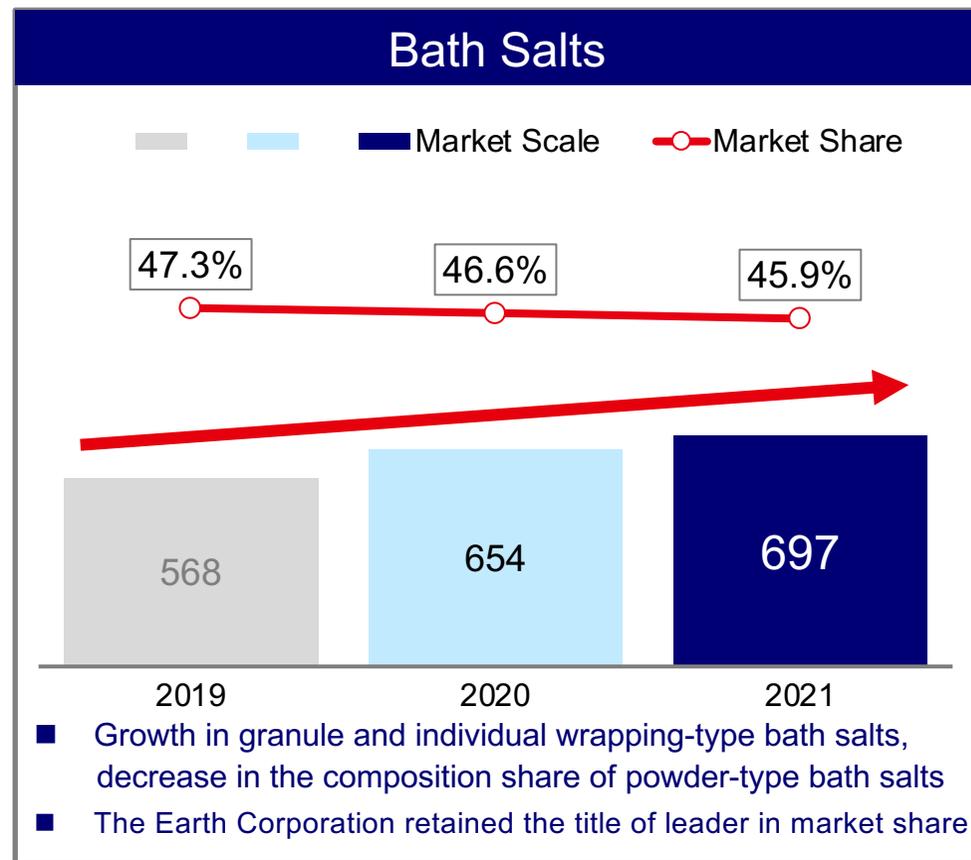
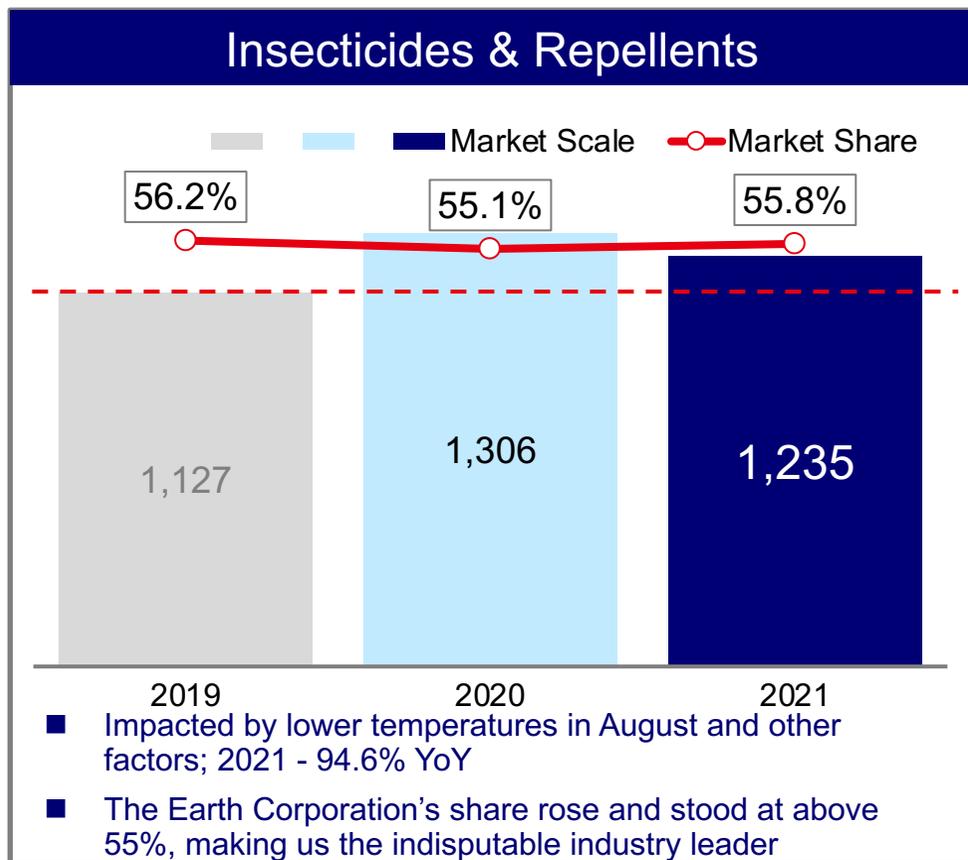
- While operating income decreased slightly, as in FY12/2020, we continued to deliver sales growth and secured an operating income level above 10 billion yen
- Greatly exceeded net income record in our best performance ever; ROE above 12% (Unit: 0.1 billion JPY)

	FY12/2020 (Realized)	FY12/2021 (Forecast)	FY12/2021 (Realized)	Topics
Sales	1,960	2,000	2,037	<ul style="list-style-type: none"> • Sales exceeded 200.0 billion yen • Sales growth in the major categories of insecticides & repellents, bath salts, etc., drove growth
Gross Profit	789.5	818.0	823.3	<ul style="list-style-type: none"> • We recorded an appraisal loss resulting from higher-than-expected product returns • Gross profit margin -0.5pt vs. Forecast
SG&A Expenses	675.3	708.0	716.6	<ul style="list-style-type: none"> • Enhanced investment toward future growth (personnel expenses, R&D expenses, etc.) • Sales promotion expenses were up resulting from higher volume; Additional advertising expenses at EOY
Operating Income	114.1	110.0	106.6	<ul style="list-style-type: none"> • Secured operating income above 10 billion yen for the second consecutive fiscal year • Positive profit levels starting with FY12/2020
Net Income attributable to owners of parent	35.4	70.0	71.4	<ul style="list-style-type: none"> • Recorded extraordinary losses associated with our local subsidiary in Vietnam in FY12/2020 • Achieved a record net income performance
ROE	7.4%	12.0%	12.4%	<ul style="list-style-type: none"> • Continued making improvements in capital efficiency

FY12/2021 Market Overview of Major Categories (Domestic)



- The market for insecticides & repellents and bath salts expanded beyond pre-pandemic levels, **as demand resulting from changes in consumer lifestyles continues**
- The contraction in the market size for insecticides & repellents in 2021 was due to the negative impact of unseasonable weather

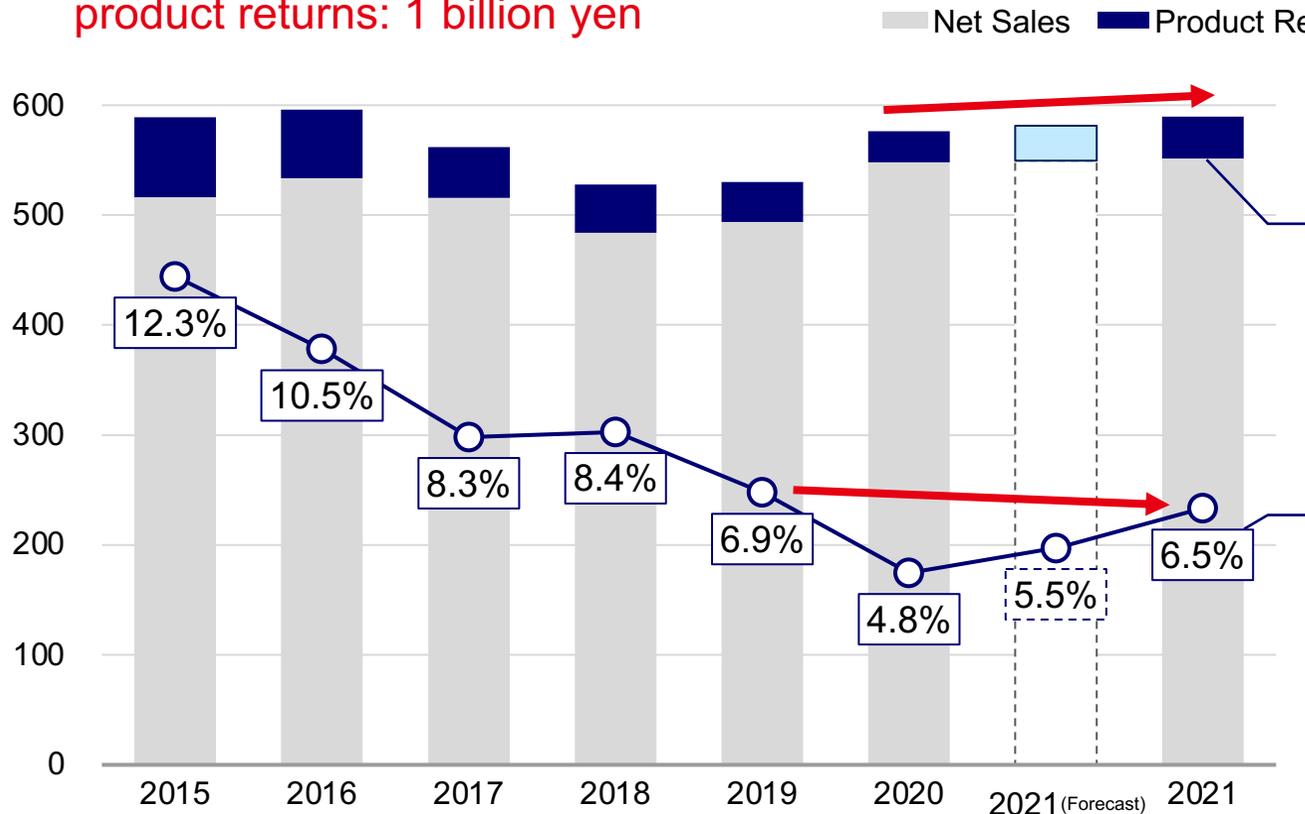


FY12/2021 (Domestic) Status of Product Returns in the Insecticides & Repellents Segment



(Unit: 0.1 billion JPY)

- We identified a market expansion in 2020 as an opportunity for top-line growth, holding large amounts of inventory in order to address market demand
- Starting with the initial forecast, we were expecting an increase in product returns, but low temperatures at the end of the season spurred the increase
- **Product return rate in the insecticides & repellents segment: 6.5% (+1.7pt YoY) / Increase in product returns: 1 billion yen**



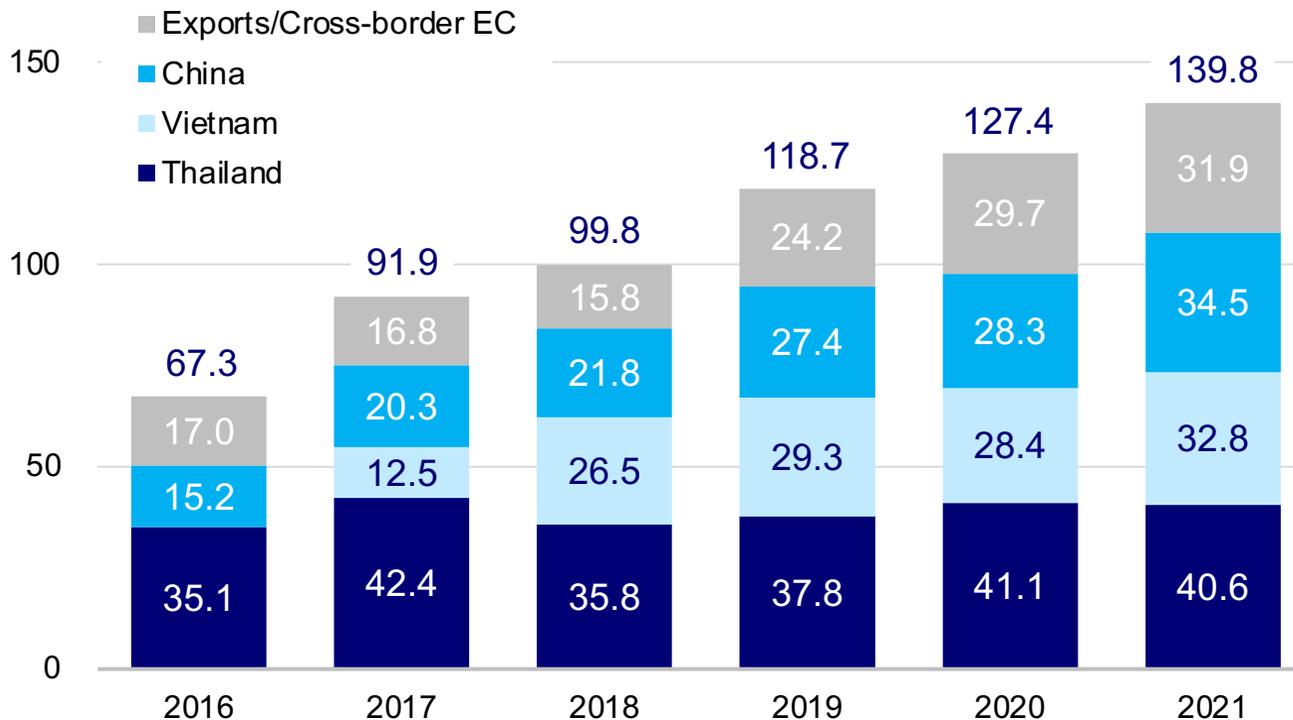
- Our strategy of expanding sales and market share functioned as intended, as we were able to secure sales growth even amidst a YoY market decline
- We had accounted for the risks involved with this strategy in the initial forecast
- Product returns 1pt above the forecast were due to weather factors at the end of the season
- Improvement vs. 2019, showcasing the results of initiatives we have been carrying out over time

FY12/2021 Overseas Results (Including Cross-border EC)

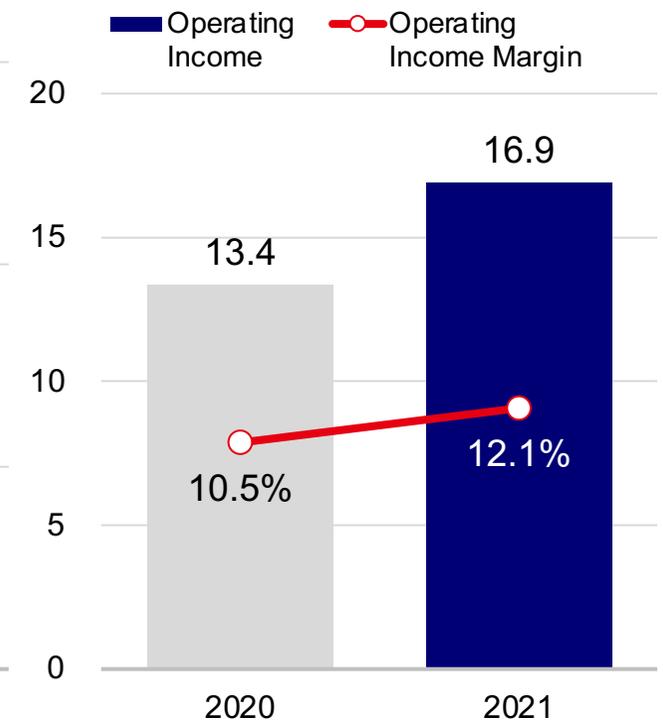


- Thailand: While sales decreased, the results of reform to the profit structure allowed us to post higher operating income
- Vietnam: We were still able to grow sales, despite a stagnating supply chain resulting from the COVID-19 pandemic; Decrease in OI due to an increase in factory fixed costs
- China : Strong results of sales for EC; Increase in sales and operating income

Overseas Sales



Overseas OI (Simple Sum)





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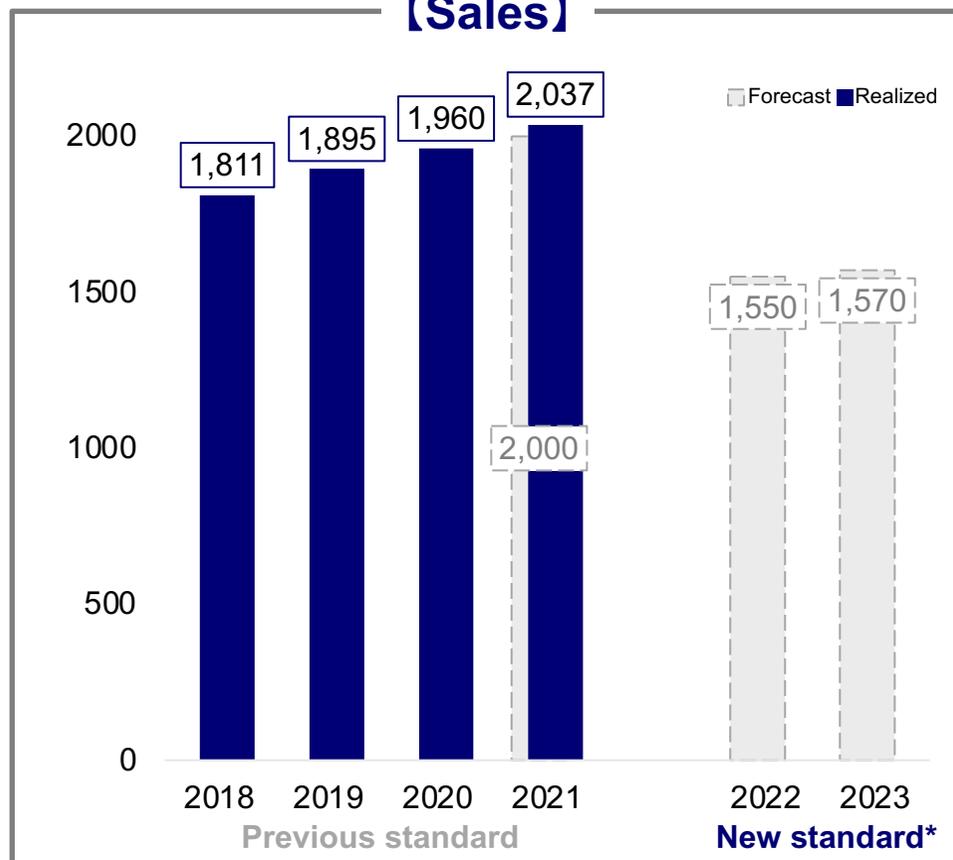
FY12/2022 Forecast - Overview

Act For SMILE-COMPASS 2023-Progress Status

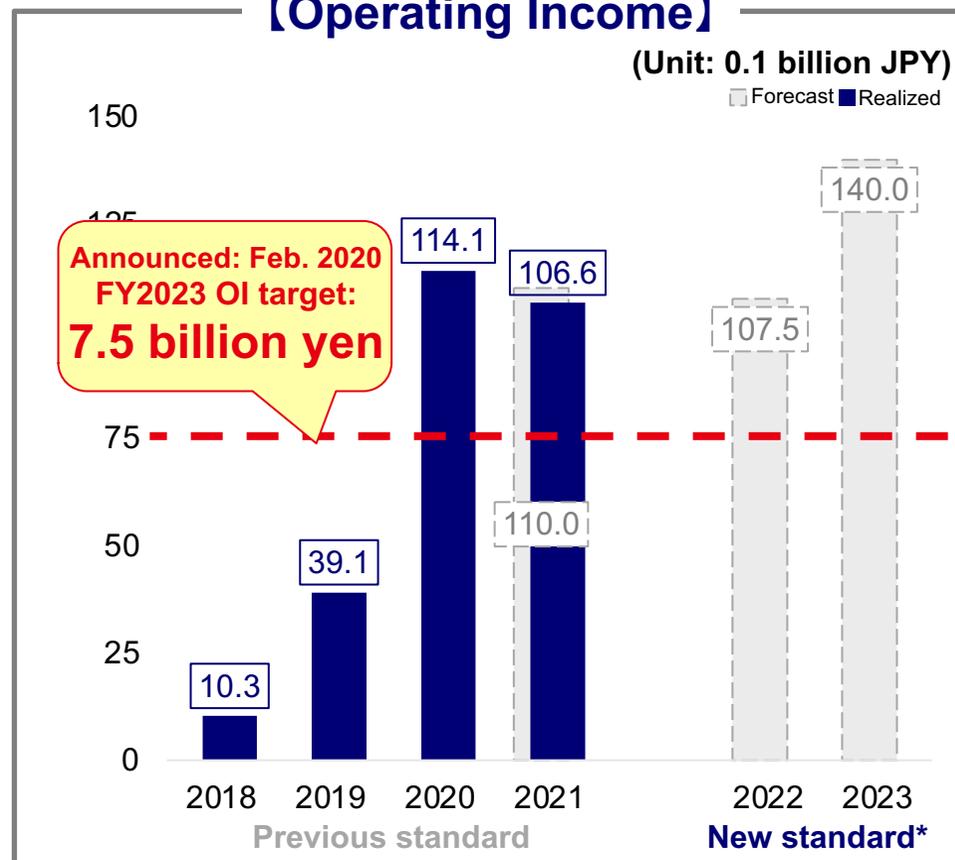


- We saw exogenous changes like changes in consumer lifestyles resulting from COVID-19 as a growth opportunity, and in February 2021 raised guidance for the 2023 MTBP (Operating Income: 7.5 billion yen ➔ 14.0 billion yen)
- Results for the first FY of the MTBP were mostly in line with the forecast. We were negatively impacted by weather and environmental changes, but the “destination” remains the same

【Sales】



【Operating Income】



FY12/2022 Forecast



- Sustain impact from soaring raw material prices; Execute adequate and sufficient investment toward future growth
- Despite a challenging environment, we will aim for over 10 billion yen in operating income and a record net income performance

(Unit: 0.1 billion JPY)

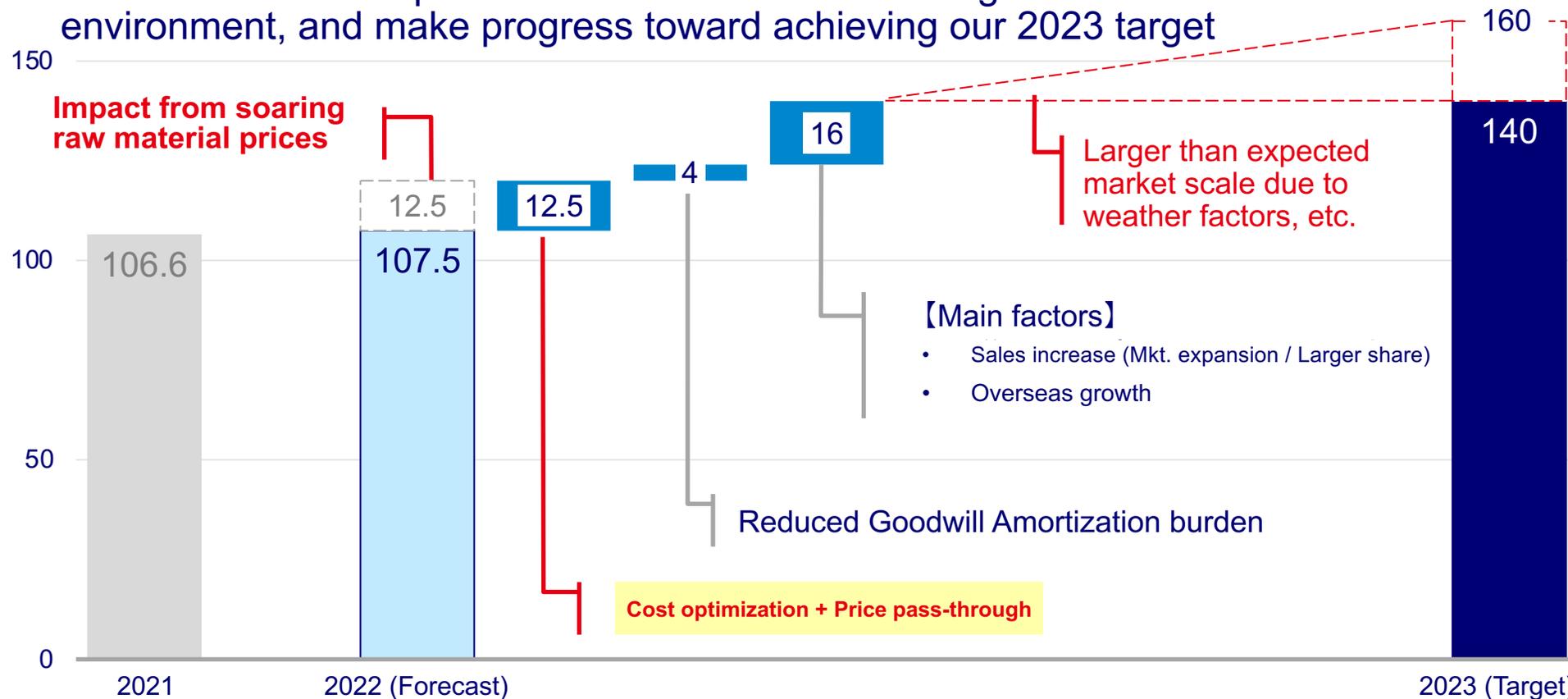
	FY2022 (Forecast)	Topics	FY2021 (Realized)	FY2022 (Forecast)
Sales	1,550	<ul style="list-style-type: none"> • Actual +7.3 billion yen; Market forecast premised on average-year weather patterns • Product returns (Insect. & Repellents) 6.5% ➔ 6.0% 	2,037	2,110
Gross Profit	668.5	<ul style="list-style-type: none"> • Rising costs from soaring raw material prices: estimate of -1.25 billion yen • Increase in gross profit, but slightly lower expected profit margin 	823.3	850.5
SG&A Expenses	561.0	<ul style="list-style-type: none"> • R&D; Core System maintenance expenses, etc. allocate additional funds toward future growth 	716.6	743.0
Operating Income	107.5	<ul style="list-style-type: none"> • Secure same operating income level as in FY2021 	106.6	107.5
Net Income attributable to owners of parent	72.8	<ul style="list-style-type: none"> • Best performance ever 	71.4	72.8
ROE	~12%	<ul style="list-style-type: none"> • Aim for a capital efficiency comparable to FY2021 	12.4%	~12%

Act For SMILE-COMPASS 2023-Profit Outlook



(Unit: 0.1 billion JPY)

- Under the premises at the time the MTBP was formulated, the operating income outlook for fiscal year 2022 comes to 12 billion yen – a level representing good progress toward the 2023 target
- Deal even with unexpected situations related to changes in the weather and in the environment, and make progress toward achieving our 2023 target





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Initiatives Toward Improving Corporate Value

Act For SMILE-COMPASS 2023-Outline

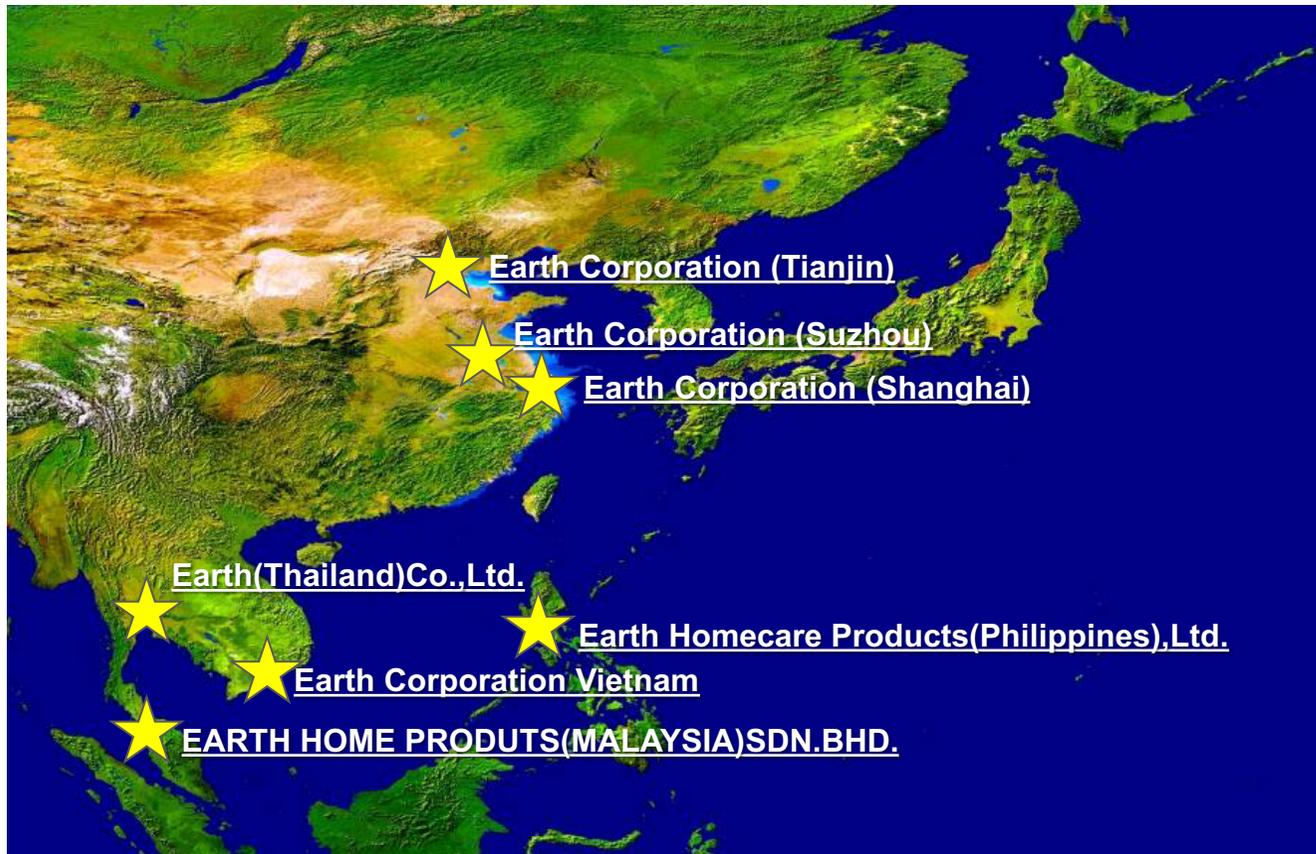


- The external environment is in flux, but both our path and destination remain constant
- We will be carrying out structural reform around the keywords of “Asia,” “Sustainability,” and “Synergies,” and grow corporate value



Expansion of the Profit Foundation in Asia

- We currently have bases in ASEAN and China (Total of 7 consolidated subsidiaries)
*Includes two subsidiaries to be newly added to the scope of consolidation in FY2022
- We will be carrying out management strongly connected and integrated into each region and developing and introducing products tailored to regional needs. Through this, we will be expanding our market share in each country, and growing sales and profits.



【Focus Regions】

• Existing Presence

- ▶ Thailand
- ▶ Vietnam
- ▶ China
- ▶ Saudi Arabia

• New Regions

- ▶ Malaysia
- ▶ Philippines
- ▶ CLM*

Overseas Expansion: China



- Simultaneously achieve sales growth expansion and a steady profit contribution, with the products in the segment of insecticides & repellents taking the lead
- Leverage the strengths of an Investment Company, Limited structure and utilize centrally managed production and sales to increase operational efficiency
- Medium-to-Long-Term: Aim for "Earth" to reach No.1 in market share in the EC market in China

■ Focus channels

- EC

■ Focus categories

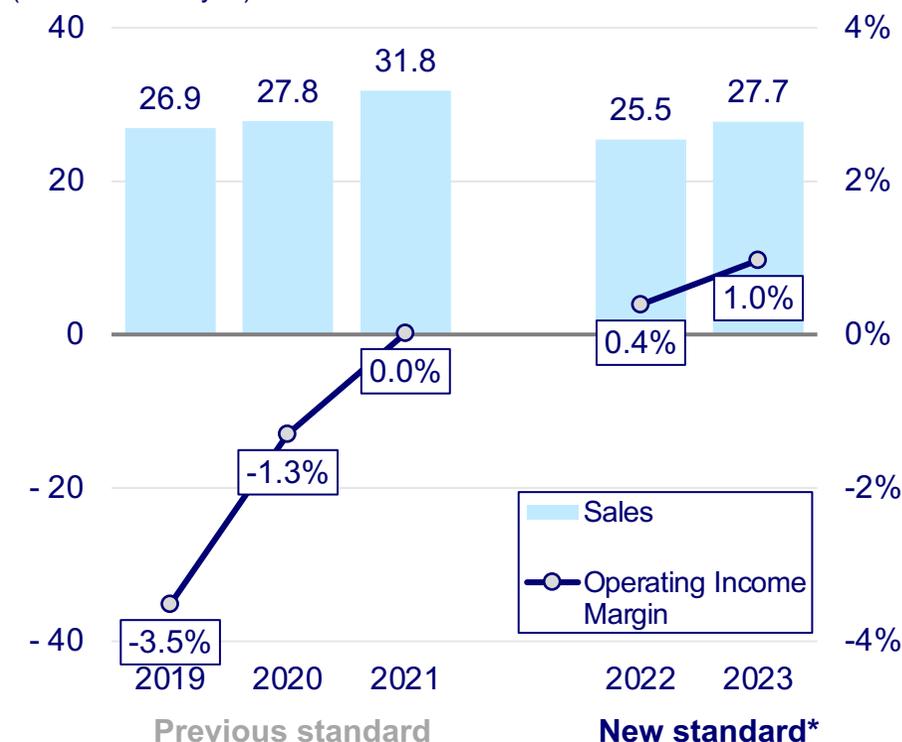
- Insecticides & repellents: cockroach control (already No.1 in EC)
- Insecticides & Repellents: acaricides, repellents, housefly control
- Household products: mouthwash, moist removal

■ Initiatives in FY2022 and beyond

- Specialize in EC channels
Raise the ratio of EC sales to 75% or above
- Profit contribution as a manufacturing base
Cultivate new suppliers and reduce manufacturing costs in order to reduce the impact from soaring raw material prices

■ Earth Corporation (Shanghai) Results

(Unit: 0.1 billion yen)



Overseas Expansion: Thailand

- Return to the business expansion phase, from a phase of executing improvements to the profit structure
- Grow market share toward expanding our presence in the domestic market in Thailand

■ Focus channels

- OP-T; MT channels; TT channels

■ Focus categories

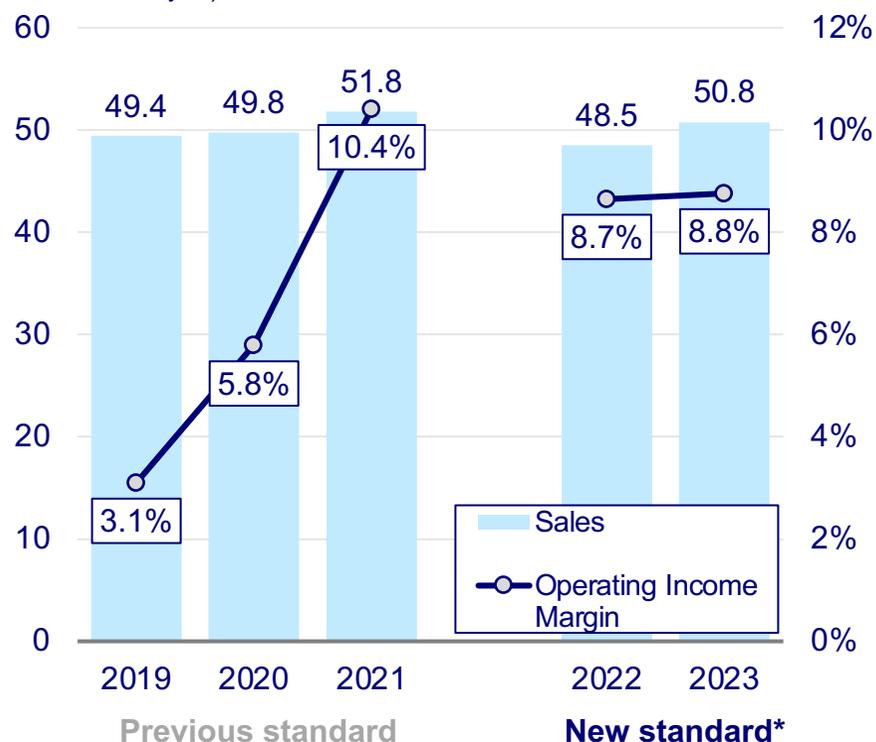
- Insecticides & repellents:
secure position of No.2 in market share
- Air fresheners
- Mouthwash

■ Initiatives in FY2022 and beyond

- Expansion of the Depot business
- Nurture local management talent

■ Earth (Thailand) Co.,Ltd. Results

(Unit: 0.1 billion yen)



Overseas Expansion: Vietnam



- We overcame the temporary negative impact of COVID-19 and maintained stable operations
- Consider establishing a production base in Vietnam, as we anticipate a profit contribution through a drastic reduction of manufacturing costs
- Medium-to-Long-Term: aim to nurture No.1 products in Vietnam in the category of detergents and insecticides & repellents

■ Focus channels

- MT channels; EC

■ Focus categories

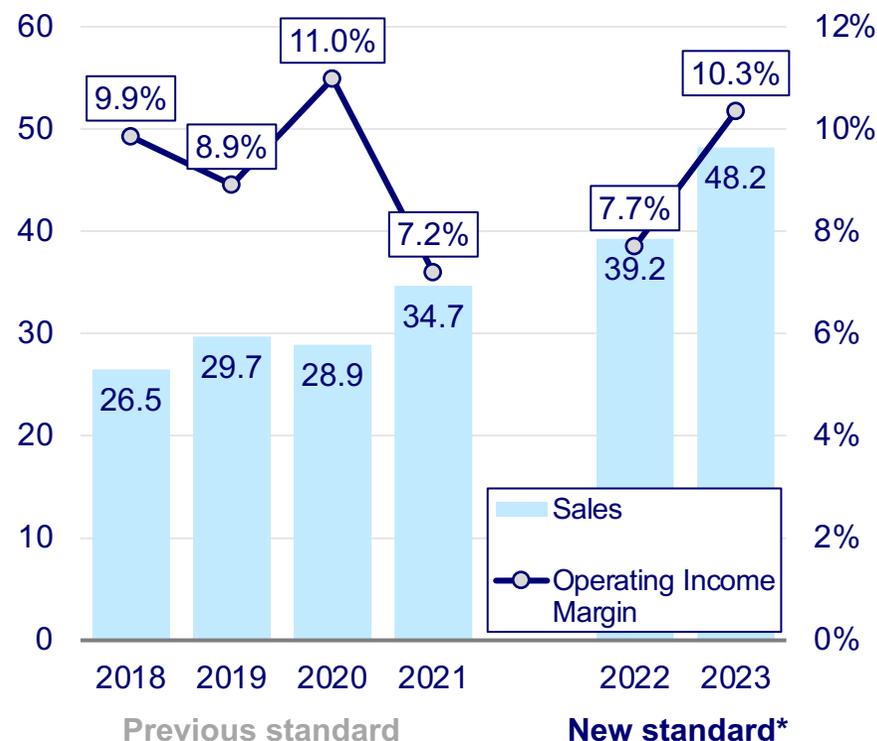
- Insecticides & repellents
- Mouthwash
- Disinfectants

■ Initiatives in FY2022 and beyond

- Improve profitability
Raise product prices
Review the execution of promotions
- Expand presence in the market for insecticides & repellents
Increase the sales composition ratio to 50% of the local subsidiary
Aim for a market share of 10%

■ Earth Corporation Vietnam Results

(Unit: 0.1 billion yen)



Overseas Expansion: New Areas



FY2022 – expected to be added to the scope of consolidation

Malaysia: Earth Home Products (MALAYSIA) SDN.BHD.

- We established a regional subsidiary in 2019, however, the pandemic delayed our entry in earnest
- Achieve profitability within a 3-year window

■ Focus channels

- GT; Regional MT; EC

■ Focus categories

- Insecticides & repellents
- Air fresheners (OASIS brand)
- Fabric spray

■ Initiatives in FY2022 and beyond

- Enter the market for insecticides & repellents in earnest / expand the OASIS brand
Achieve target of launching/delivering to stores 7 SKUs this year
- OEM production trials toward cost reductions
Improve gross profit margins

Philippines: Earth Homecare Products (Philippines) ,Ltd.

- Start operating in 2022 through the execution of the M&A of a local company in the region
- Make progress toward building a business foundation

■ Focus channels

- MT channels; EC

■ Focus categories

- Insecticides & repellents
- Air fresheners

■ Initiatives in FY2022 and beyond

- Build a foundation toward the start of operations
Swiftly execute the process of obtaining all relevant licenses, the transfer of assets, and the acquisition of stock

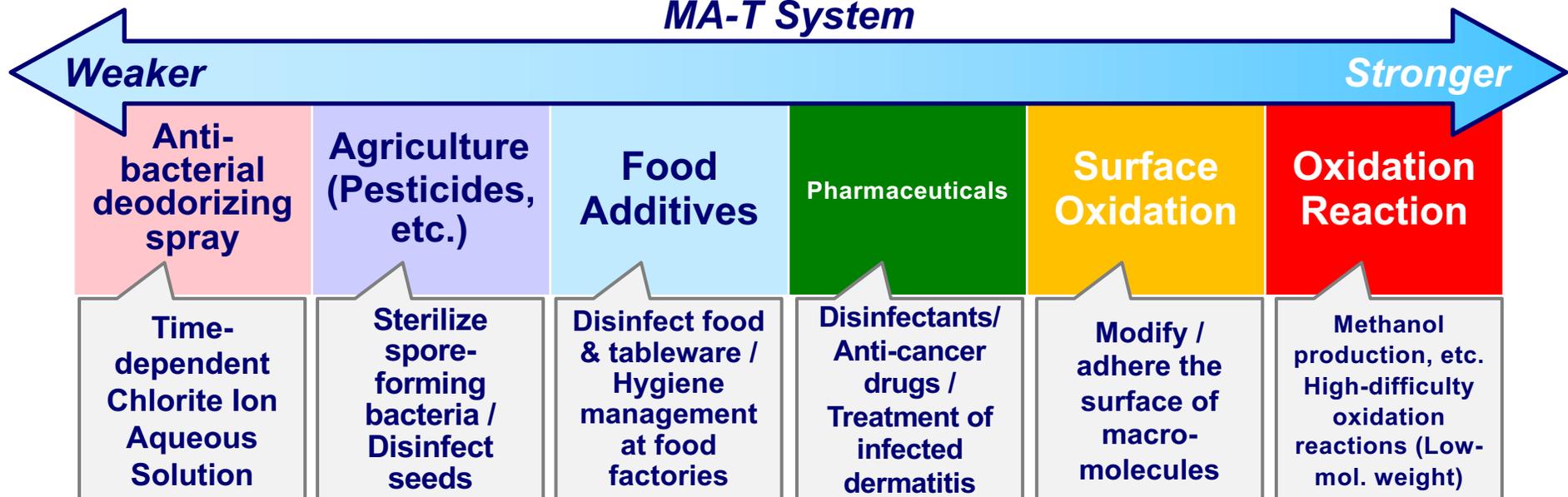
MA-T: Retain Related Rights

- Has a wide range of possible applications, and matches the CSV management advocated by the Earth Corporation
- Anticipate possible changes in the profit structure and advance the creation of a platform toward a smooth social implementation

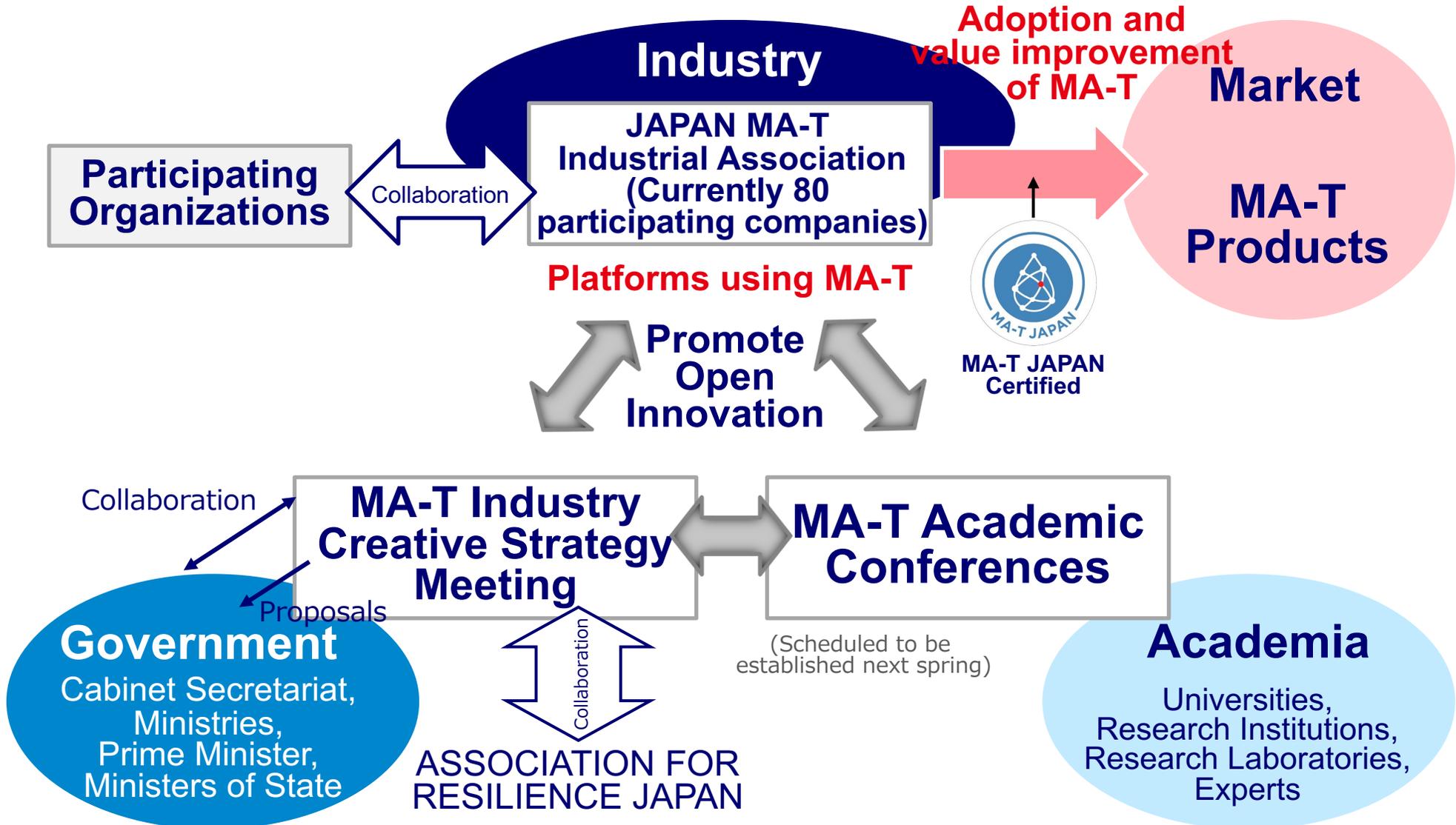
【Abbrev.】 **MA-T** (*Matching Transformation System*)

The world's first oxidation control catalyst and oxidation control reaction system

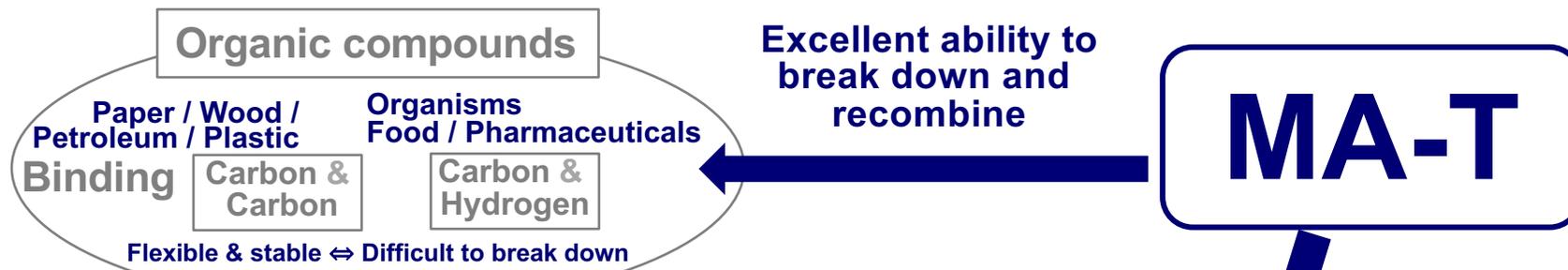
MA-T System



MA-T: Expansion Through Collaboration Between Industry, Government, and Academia



MA-T: Leverage its Excellent Characteristics / Contribute To SDGs



Advantages

Disadvantages

Daily necessities

Stable energy source

Plastics stronger than iron

Building materials withstanding wind & snow

Non-perishable food

Washable materials

Materials can be disinfected

Breakdown requires combustion

CO₂ emissions

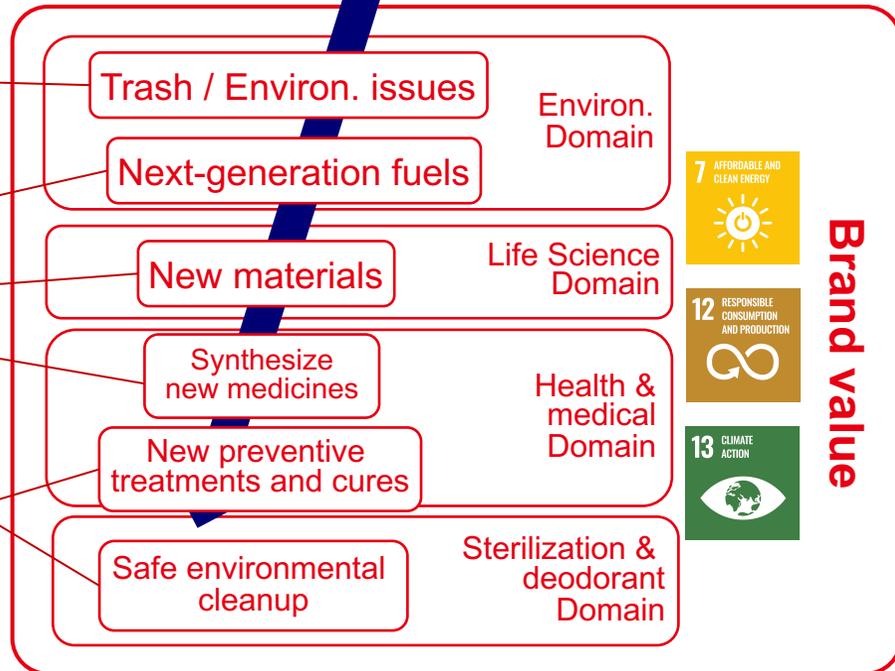
Poor thermal efficiency

Difficult to synthesize

Cancer & pathogen resistance

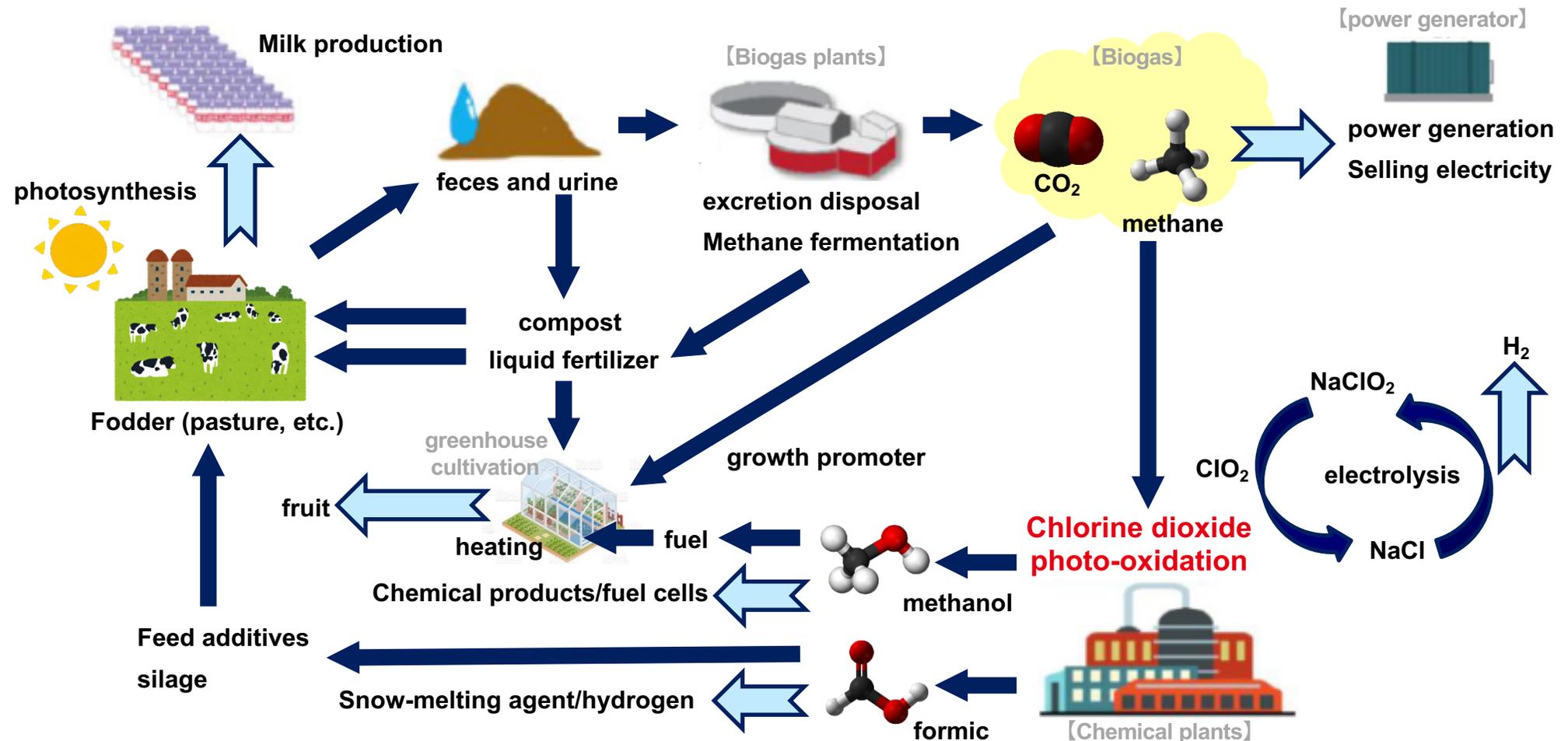
Persistent odor

Requires strict disposal conditions



MA-T : Image of Application to Circulation-Oriented Dairy Farming

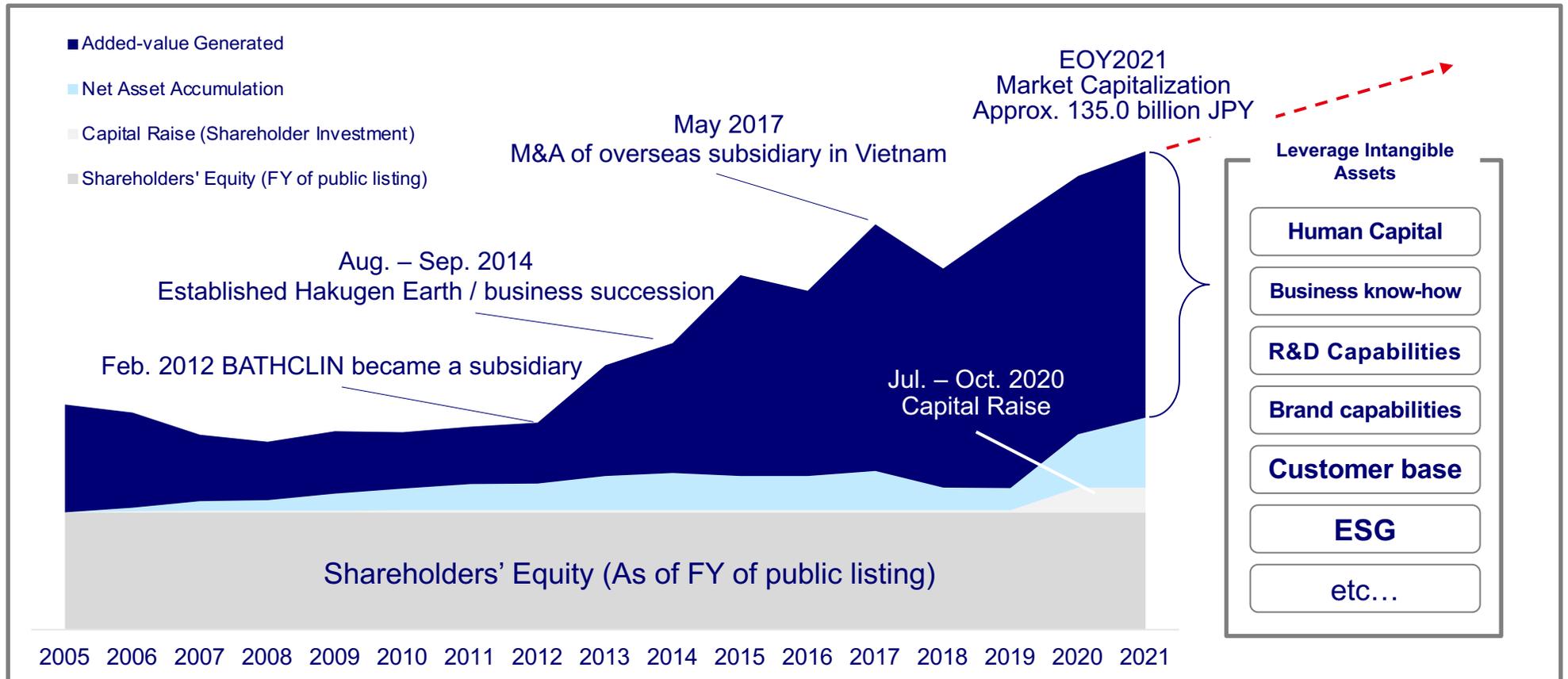
- Conversion of methane gas from cow manure into methanol at normal temperature and pressure



Awareness of the Earth Corporation's Corporate Value



- Our corporate value = Shareholder's equity book value + added-value generated over time
- Position non-financial capital as the core of business growth, and be aware of its importance as a factor in growing corporate value



Sustainability Initiatives

- Adopt a bottom-up approach by setting up work groups and group study activities
- Have employees take an active – as opposed to passive – part, so that they become aware of their role in growing corporate value

【Sustainability - Basic Policy】

- The Earth Corporation’s corporate philosophy is “We act to live in harmony with the Earth.” Through this, we seek to work alongside stakeholders to address challenges pertaining to sustainability, contribute to growing our corporate value in a sustainable manner, and to building a sustainable society.

【5 Materialities】

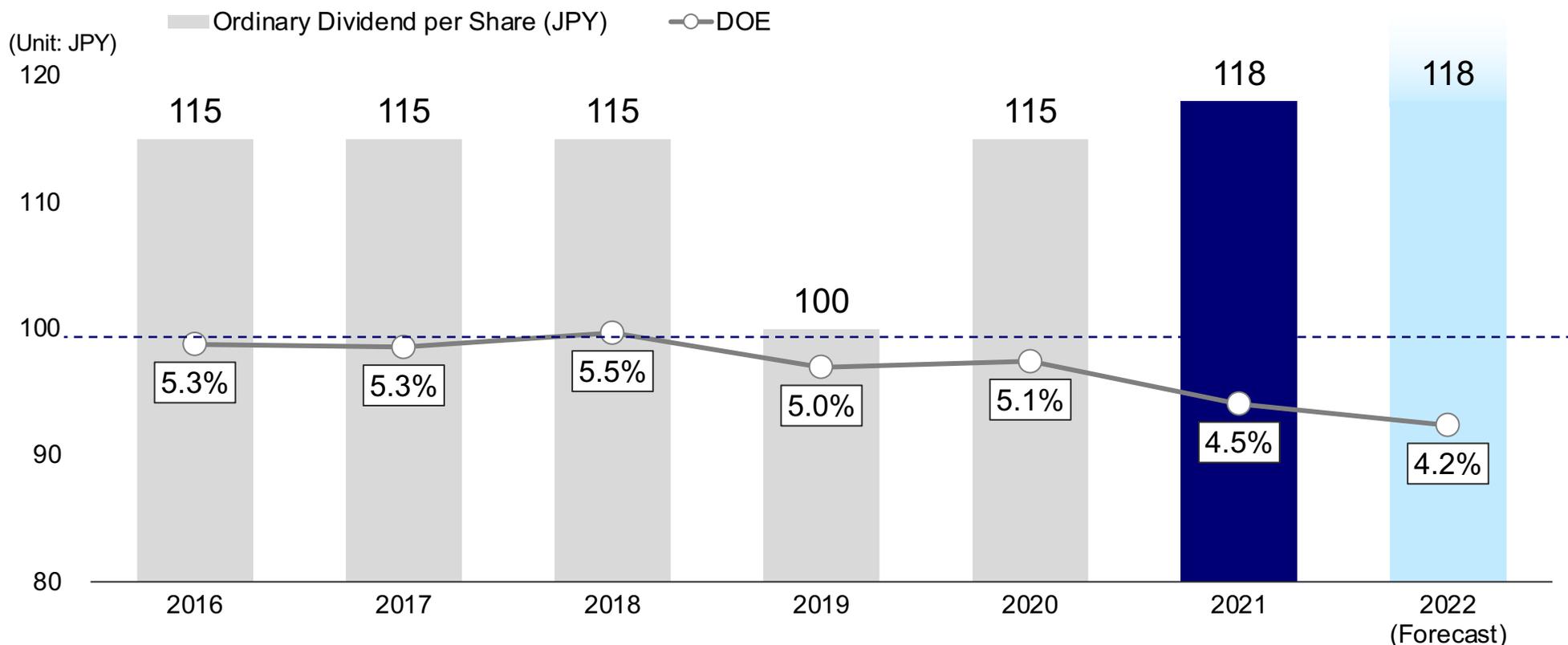


【Initiatives in the current FY】

- **Set non-financial KPIs**
 - ▶ Establish and operate KPIs based on these 5 materialities
 - ▶ Aim to establish these KPIs in 1H FY2022
- **Disclosures according to TCFD framework**
 - ▶ The Sustainability Promotion Committee is currently evaluating what items to disclose, and the necessary data
 - ▶ Implementation expected by March of 2023

Shareholder Returns

- Target a Dividend on Equity Ratio (DOE) of 4 – 5%
- For FY2022, we forecast a dividend per share of 118 yen, a DOE of 4.2%, and a consolidated dividend payout ratio of 35.8%
- Adopt an agile approach and, should our performance and retained earnings levels allow it, consider raising dividends and/or executing share buybacks





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.



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Appendix.

FY12/2021 Results (Vs. Revised Forecast)



- The revision to the results forecast took place in July, premised on reasonable assumptions made by the company, based on the information available at the time.
- **The change vs. the revised forecast was primarily due to changes in exogenous factors** (weather, cost of raw materials, foreign exchange rates, etc.)

(Unit: 0.1 billion JPY)

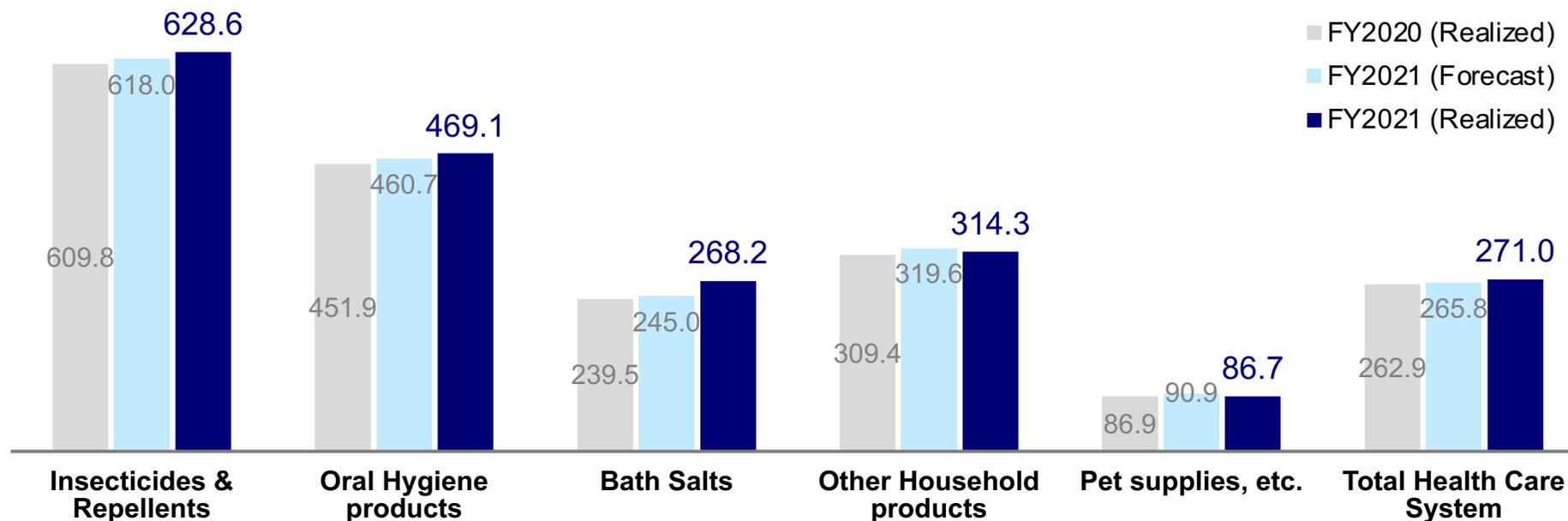
	FY2021 (Forecast)	FY2021 (Revised)	FY2021 (Realized)	Topics
Sales	2,000	2,015	2,037	<ul style="list-style-type: none"> Overseas: Impact of lockdown measures resulting from the spread of COVID-19
Gross Profit	818.0	836.0	823.3	<ul style="list-style-type: none"> Unexpected unseasonable weather (temperature drop in August) led to an increase in product returns of insecticides & repellents. This led to an appraisal loss on inventory, and this had a negative impact
SG&A Expenses	708.0	716.0	716.6	
Operating Income	110.0	120.0	106.6	<ul style="list-style-type: none"> Vs. revised forecast -1.3 billion yen
Net Income attributable to owners of parent	70.0	77.0	71.4	
ROE	12.0%	13.3%	12.4%	

FY12/2021 Sales by Segment



(Unit: 0.1 billion JPY)

- Against the backdrop of a shrinking market year-on-year, we grew our share for insecticides & repellents and secured a sales increase
- Sales of bath salts increased considerably, thanks to a continued expansion in demand resulting from changes in consumer lifestyles



YoY diff.	+18.7	+17.1	+28.7	+4.8	-0.1	+8.0
Diff. vs. forecast	+10.5	+8.3	+23.2	-5.3	-4.1	+5.1

FY12/2022 Forecast



Reprint

- Sustain impact from soaring raw material prices; Execute adequate and sufficient investment toward future growth
- Despite a challenging environment, we will aim for over 10 billion yen in operating income and a record net income performance

(Unit: 0.1 billion JPY)

	FY2022 (Forecast)	Topics	FY2021 (Realized)	FY2022 (Forecast)
Sales	1,550	<ul style="list-style-type: none"> Actual +7.3 billion yen; Market forecast premised on average-year weather patterns Product returns (Insect. & Repellents) 6.5% → 6.0% 	2,037	2,110
Gross Profit	668.5	<ul style="list-style-type: none"> Rising costs from higher raw material prices: estimate of -1.25 billion yen Increase in gross profit, but slightly lower expected profit margin 	823.3	850.5
SG&A Expenses	561.0	<ul style="list-style-type: none"> R&D; Core System maintenance expenses, etc. allocate additional funds toward future growth 	716.6	743.0
Operating Income	107.5	<ul style="list-style-type: none"> Secure same operating income level as in FY2021 	106.6	107.5
Net Income attributable to owners of parent	72.8	<ul style="list-style-type: none"> Best performance ever 	71.4	72.8
ROE	~12%	<ul style="list-style-type: none"> Aim for a capital efficiency comparable to FY2021 	12.4%	~12%

Adoption of Accounting Standard for Revenue Recognition

- Items like trades through intermediaries, sales promotion expenses, etc. are deducted from sales, impacting the P/L side, namely sales, gross profit and SG&A expenses; Impact on operating income and items below is minor
- Impact to the balance sheet is minor

(Unit: 0.1 billion JPY)

	FY2021 (Realized) (Previous standard)	FY2022 (Forecast) (Previous standard)	Purchase & sale	Sales promo. exp. (deducted from sales)	FY2022 (Forecast) (New standard)
Sales	2,037	2,110	- 378	- 182	1,550
Gross Profit	1,214.5	1,259.5	378		881.5
SG&A Expenses	716.6	743.0		182	561.0
Operating Income	106.6	107.5			107.5

FY12/2022 Main Forecast Assumptions



Item	Notes
Accounting Standard	<ul style="list-style-type: none"> • Migrate to a new Acc. standard <ul style="list-style-type: none"> • Regarding purchase and sales from GSK, only net sales amount are booked; Majority of sales promotion expenses now deducted from sales
Sales	<ul style="list-style-type: none"> • Market trends <ul style="list-style-type: none"> • The forecast assumes a situation similar to FY2021 for the market of insecticides & repellents
	<ul style="list-style-type: none"> • Product Return Rate <ul style="list-style-type: none"> • 6.5% → 6.0% Continue working to reduce product returns, while keeping a balance with opportunity cost
	<ul style="list-style-type: none"> • Launch new products <ul style="list-style-type: none"> • Swiftly address new needs derived from changing consumer lifestyles
Production costs	<ul style="list-style-type: none"> • Soaring raw material prices <ul style="list-style-type: none"> • While we expect an impact from product raw materials and packaging materials (-1.25 B yen), simultaneously execute a cost reduction plan
Expenses	<ul style="list-style-type: none"> • Personnel expenses <ul style="list-style-type: none"> • Continue investment in Human capital
	<ul style="list-style-type: none"> • Distribution expenses <ul style="list-style-type: none"> • We expect an impact from soaring distribution expenses; Implement measures to control inventories and improve distribution efficiency
	<ul style="list-style-type: none"> • Advertising expenses <ul style="list-style-type: none"> • Overall flat YoY
	<ul style="list-style-type: none"> • R&D expenses <ul style="list-style-type: none"> • Allocate more resources toward realizing open innovation
	<ul style="list-style-type: none"> • Consulting fees <ul style="list-style-type: none"> • Revamp Core System; Include M&A consulting fees in the budget
	<ul style="list-style-type: none"> • New businesses <ul style="list-style-type: none"> • Continue searching for opportunities and pro-actively carrying out initiatives (Keep in mind investment cost of capital and returns)

FY12/2022 SG&A Forecast Details



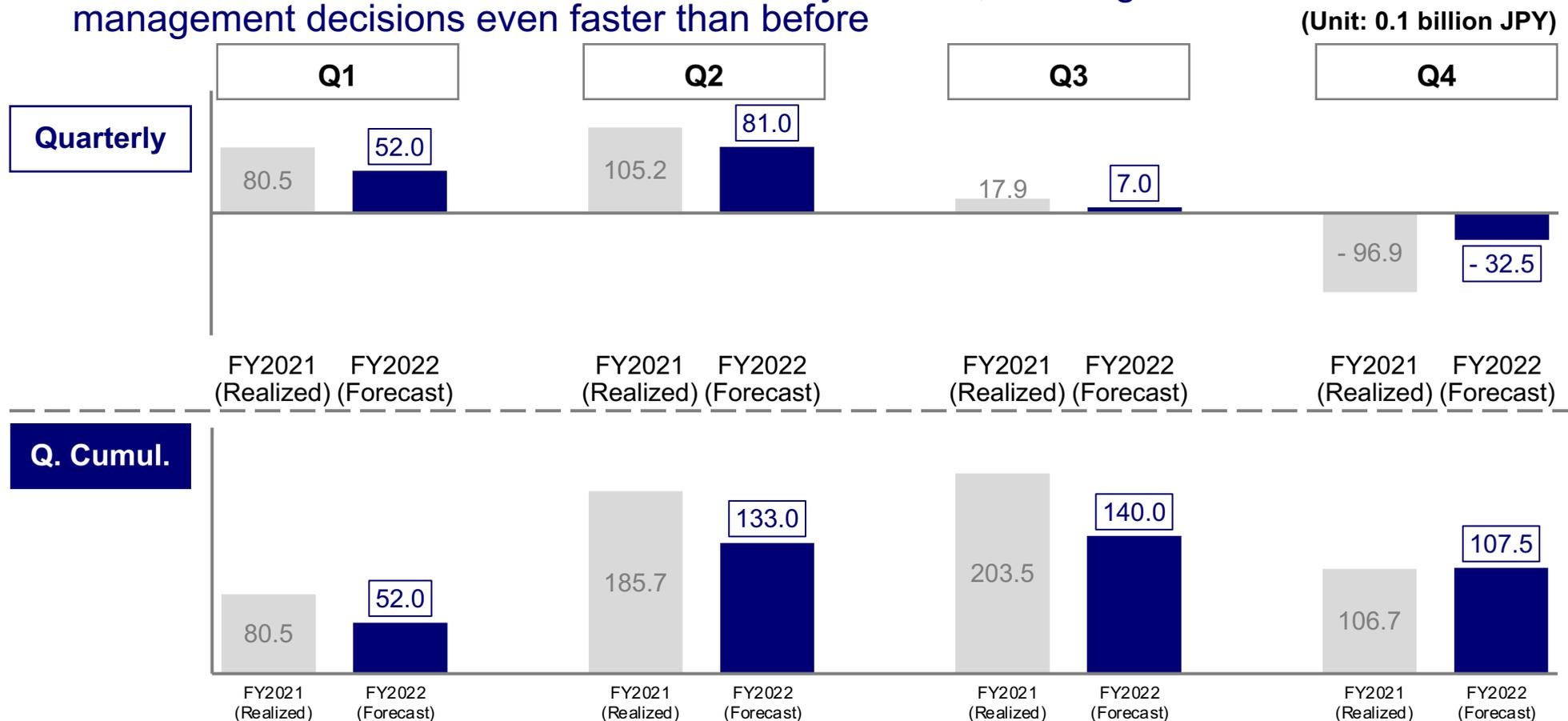
(Unit: 0.1 billion JPY)

	FY2020	FY2021	Change	FY2022 (FCST)	Change	Topics
Personnel Expenses	202.5	208.8	+6.2	209.1	+0.2	Continue investment in Human capital
Advertising Expenses	81.7	83.9	+2.1	81.2	- 2.7	Maintain an advertising exp. level of 8 B yen; Invest depending on results
Shipping Costs	41.2	42.7	+1.5	44.4	+1.7	Increase due to higher volume
R&D Expenses	26.7	31.7	+4.9	33.8	+2.1	Primarily investment in Human capital
Storage Costs	21.0	23.8	+2.8	25.1	+1.2	Increase due to higher volume
Goodwill Amortization	24.4	18.3	- 6.0	4.5	- 13.8	Goodwill amortization for BATHCLIN CORPORATION ends FY2022.1Q
Commissions Paid	13.6	14.6	+1.0	13.7	- 0.8	
Rents	13.4	14.3	+0.8	14.7	+0.3	
Depreciation Expenses	11.2	12.7	+1.5	13.8	+1.1	
Travel & Transportation Expenses	10.7	10.9	+0.1	13.9	+3.0	
Sales Commissions	2.6	8.1	+5.5	12.4	+4.3	
Miscellaneous Expenses	5.8	6.9	+1.0	10.2	+3.3	
Entertainment Expenses	2.8	3.3	+0.5	4.7	+1.4	
Others	58.3	65.1	+6.7	68.2	+3.1	
SG&A Expenses Total (Excluding Sales Promotion Expenses)	516.4	545.6	+29.2	550.2	+4.6	

FY12/2022 Forecast (OI Quarterly)



- Record product returns and sales promotion expenses, following the new Accounting Standard for Revenue Recognition
- While this results in QoQ differences in profit, the annual cumulative impact is minor
- We can now discern results trends in a timely manner, allowing us to execute management decisions even faster than before

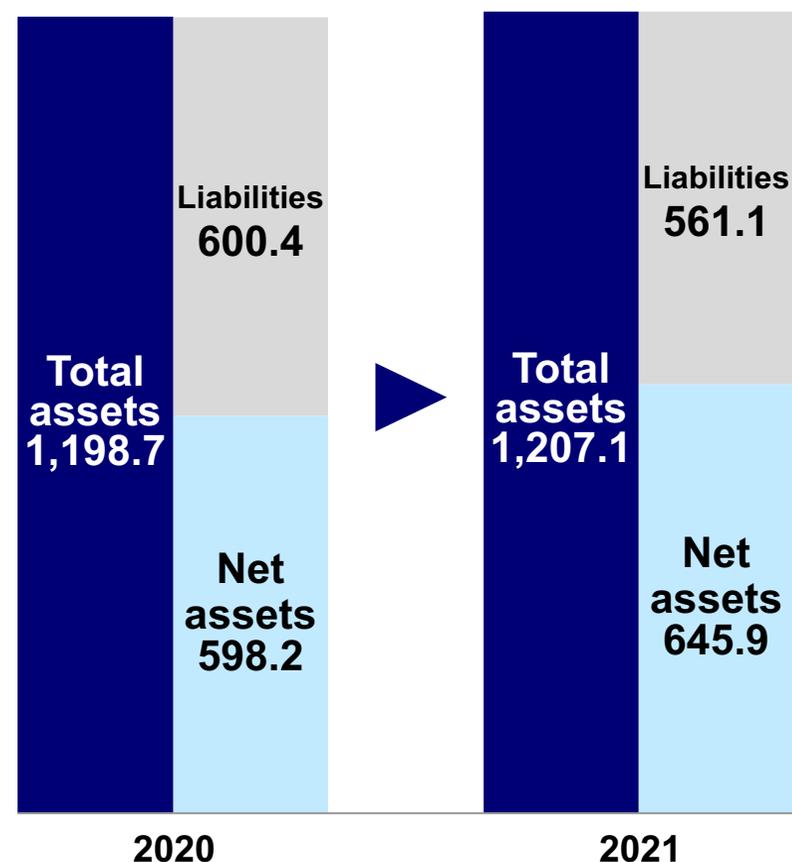


Consolidated: Financial Condition (Balance Sheet)

(Unit: 0.1 billion JPY)

- An increase in our “earnings power” has led to a steady rise in the equity ratio (+3.6pt)
- Increase in inventories to address market needs and due to unseasonable weather (+5.3 billion yen)

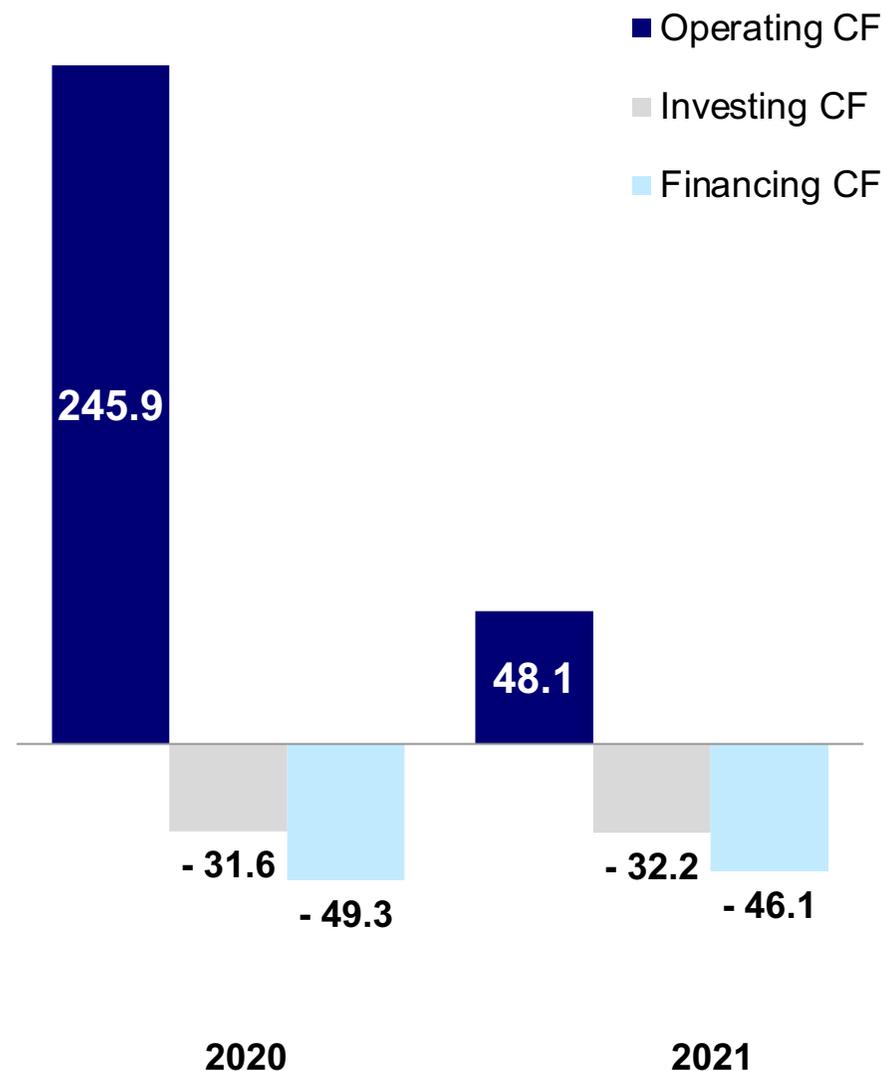
	FY2020	FY2021	Change
Total Assets	1,198.7	1,207.1	+ 8.4
Cash & deposits	237.1	210.2	- 26.8
Accounts receivable - trade	227.4	229.4	+ 1.9
Inventories	221.7	275.0	+ 53.2
PPE	280.3	275.5	- 4.7
Intangible fixed assets	62.6	42.7	- 19.9
Investments & other assets	148.2	148.6	+ 0.4
Liabilities	600.4	561.1	- 39.2
Accounts payable - trade	317.1	324.4	+ 7.3
Loans payable	52.9	36.9	- 15.9
Net Assets	598.2	645.9	+ 47.7
Equity Ratio	46.1%	49.7%	+ 3.6pt



Cash Flow Balance (Consolidated)

	FY2020	⇒	FY2021
Operating Cash Flow	245.9	⇒	48.1
Net Income Before Income Taxes	72.8	⇒	109.6
Depreciation Expenses	33.3	⇒	35.3
Amortization of Goodwill	28.4	⇒	18.3
Impairment Loss	38.3	⇒	3.6
Increase in Accounts Receivable	- 2.0	⇒	- 1.6
Decrease (Increase) in Inventories	3.0	⇒	- 51.1
Increase (Decrease) in Notes and Accounts Payable - trade	49.7	⇒	6.6
Corporate Taxes Paid	- 26.3	⇒	- 55.6
Investing Cash Flow	- 31.6	⇒	- 32.2
Purchase of Property, Plant & Equipment	- 22.9	⇒	- 26.1
Financing Cash Flow	- 49.3	⇒	- 46.1
Issuance of Stock (Incl. Stock Acquisition Rights)	125.9	⇒	-
Increase (Decrease) in Loans Payable	- 153.0	⇒	- 15.8
Cash Dividends Paid	- 20.2	⇒	- 25.3
Free Cash Flow	214.3	⇒	15.9

(Unit: 0.1 billion JPY)

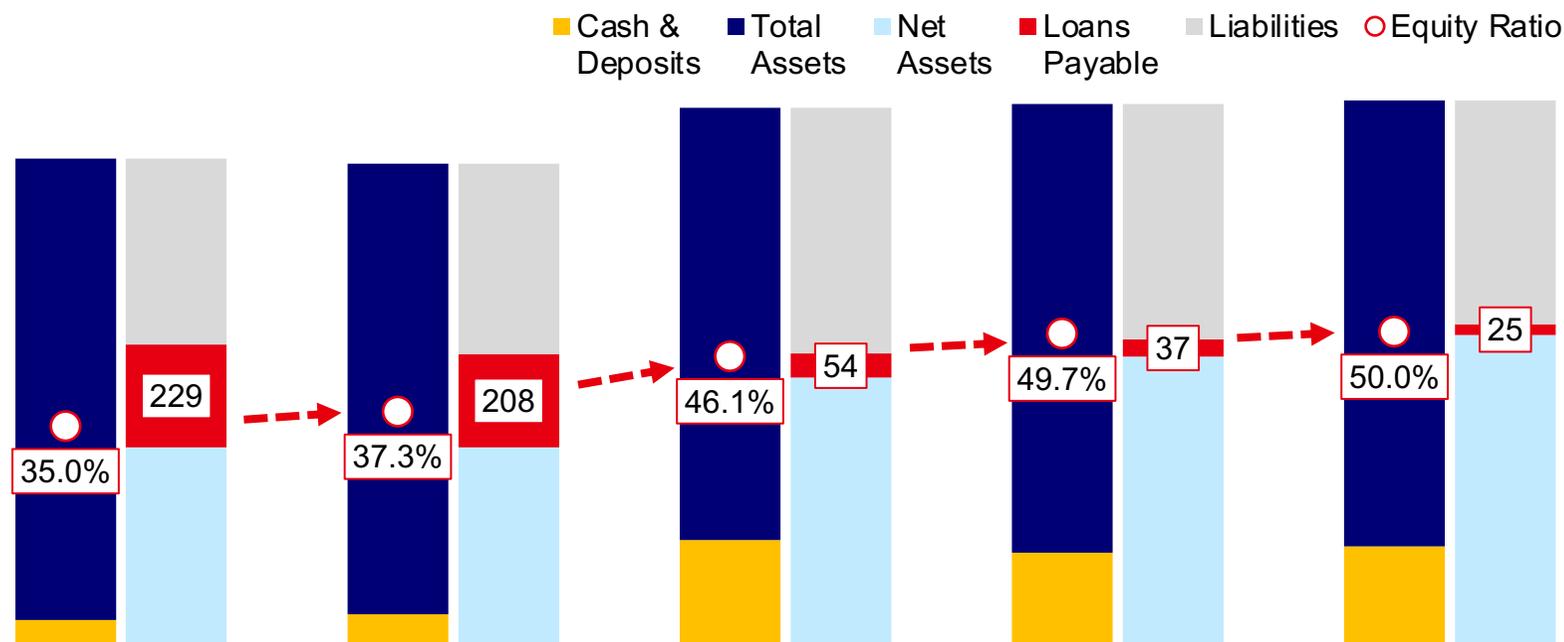


Financial Condition: Financial Foundation Target



(Unit: 0.1 billion JPY)

- Simultaneously achieve “Business Growth” and “Maintain Financial Soundness” through the adequate allocation of resources
- Aim to increase ROE through profit generation and policies to return value to shareholders



	2018	2019	2020	2021	2022 (Forecast)
Equity Ratio	35.0%	37.3%	46.1%	49.7%	50%
ROE	- 0.3%	3.1%	7.4%	12.4%	12%~
Cash / Total Assets Ratio	5.6%	6.8%	19.8%	17.4%	15% (Approx.)