



# **Earnings briefing materials for 2Q of the fiscal year ending December 2022**

**08/05/2022**

**update; 08/18/2022**



**Earth Corporation**

# Executive Summary ①



- **Financial results overview** \* LFY results calculated and adjusted retroactively using the new Accounting Standard
  - ▶ Sales : 89.3 billion yen; vs. the forecast: - 2.4%; YoY\* : + 2.0%
  - ▶ Operating Income : 11.9 billion yen; vs. the forecast: - 10.2%; YoY\*: - 11.7%
  - ▶ The initial full year forecast for FY12/2022 remains unchanged at this point
- **Overview by category**
  - ▶ Insecticides & repellents : Despite strong shipments of new products retailing at high price points, the overall market was sluggish due to weather factors
  - ▶ Household products : Progress mostly according to plan, with the category of other household products driving sales growth
- **Overview of the Overseas business**
  - ▶ China : Sluggish performance due to the impact of lockdown measures
  - ▶ ASEAN : Strong performance, especially in Thailand and Vietnam.  
Accelerated expansion in our new markets of Malaysia and the Philippines

# Executive Summary ②

- **Impact of soaring material prices and currency fluctuations**
  - Impact amount on 2Q forecast : 300 million yen
  - Estimate of impact amount on full year FY12/2022 forecast : approx.1.0 billion yen
  - In case of the continuation of the current forex trend, we expect an impact amount of 300 - 400 million yen on the full year FY12/2022 forecast.
- **Outlook for FY12/2022**
  - The forecast for FY12/2022 remains unchanged at this point



# Earth Corporation

## FY12/2022 2Q Results

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# Financial Result Highlights

- As of the end of 2Q, the Earth Corporation registered an increase in sales accompanied by a decrease in profits. Operating income fell short of the plan by 10%
- The impact of soaring raw material prices and currency fluctuations is gradually starting to be seen

Following the adoption of the new Accounting Standard for Revenue Recognition

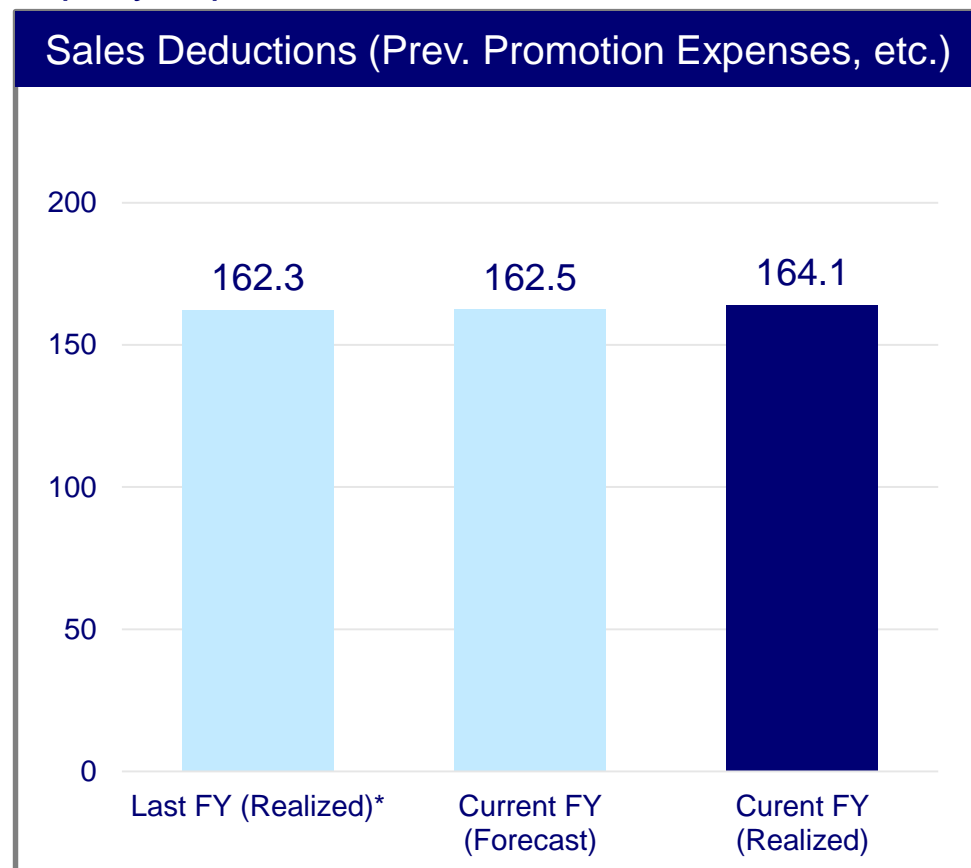
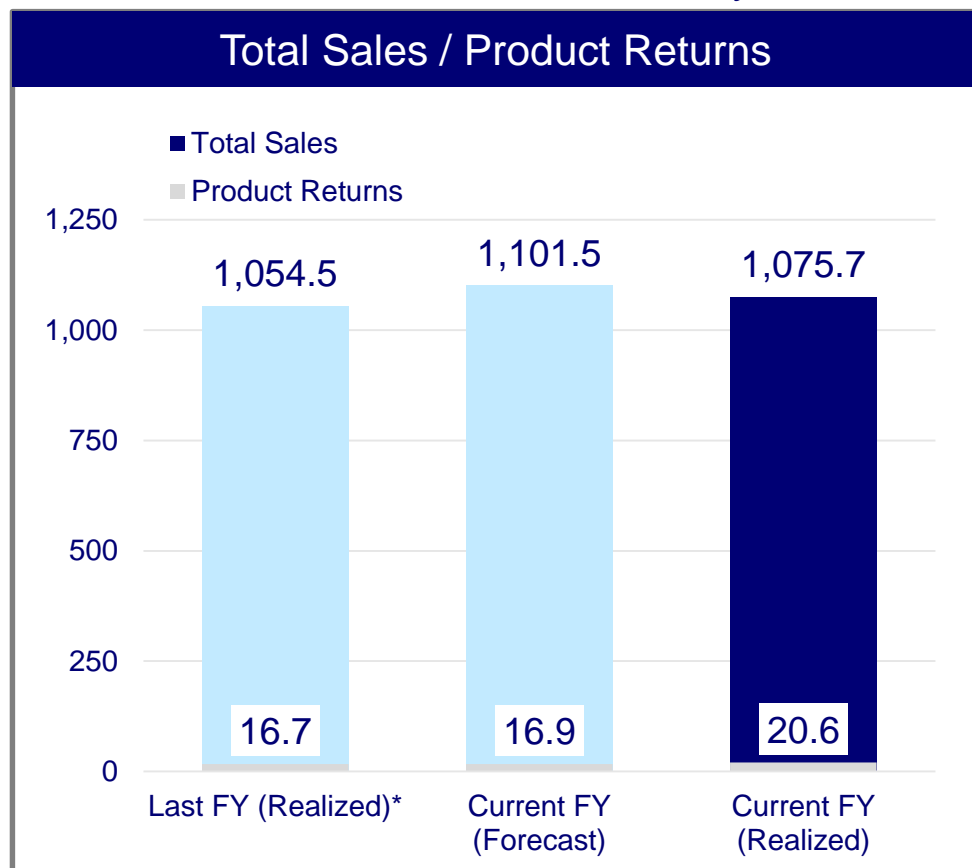
(Unit: 0.1 billion JPY)

|                          | Realized     | Vs. Forecast | YoY*   | Topics  |
|--------------------------|--------------|--------------|--------|---|
| <b>Sales</b>             | <b>893.0</b> | 97.6%        | 102.0% | <ul style="list-style-type: none"> <li>Sales of insecticides &amp; repellents fell short of company expectations, due to the impact of a generalized market slowdown</li> <li>Strong performance in ASEAN, in the Overseas business</li> </ul>                  |
| <b>Gross Profit</b>      | <b>399.3</b> | 94.4%        | 99.8%  | <ul style="list-style-type: none"> <li>Impact from soaring raw material prices &amp; currency fluctuations: - 300 million yen</li> <li>Sales mix</li> </ul>   |
| <b>SG&amp;A Expenses</b> | <b>279.9</b> | 96.5%        | 105.6% | <ul style="list-style-type: none"> <li>Within an adequate range, as formulated in the forecast</li> <li>We registered a quarter spillover for some SG&amp;A items; the company is considering adjusting for this amount through to the end of the FY</li> </ul> |
| <b>Operating Income</b>  | <b>119.4</b> | 89.8%        | 88.3%  | <ul style="list-style-type: none"> <li>Underperformance of 1.36 billion yen vs. 2Q forecast</li> <li>Prepare and execute recovery measures in 2H</li> </ul>   |
| <b>Profit Before Tax</b> | <b>126.6</b> | 95.2%        | 91.5%  | <ul style="list-style-type: none"> <li>Foreign exchange gain: 530 million yen</li> </ul>  |

# Total Sales / Product Returns / Sales Deductions

- While total sales grew YoY, it fell short of the forecast
- Product returns increased both YoY and vs. the forecast.  
However, as of the end of 1H, the impact from this has not been a reason for concern.
- The ratio of sales deductions to total sales rose somewhat versus the plan.  
However, these results are mostly in line with company expectations.

(Unit: 0.1 billion JPY)

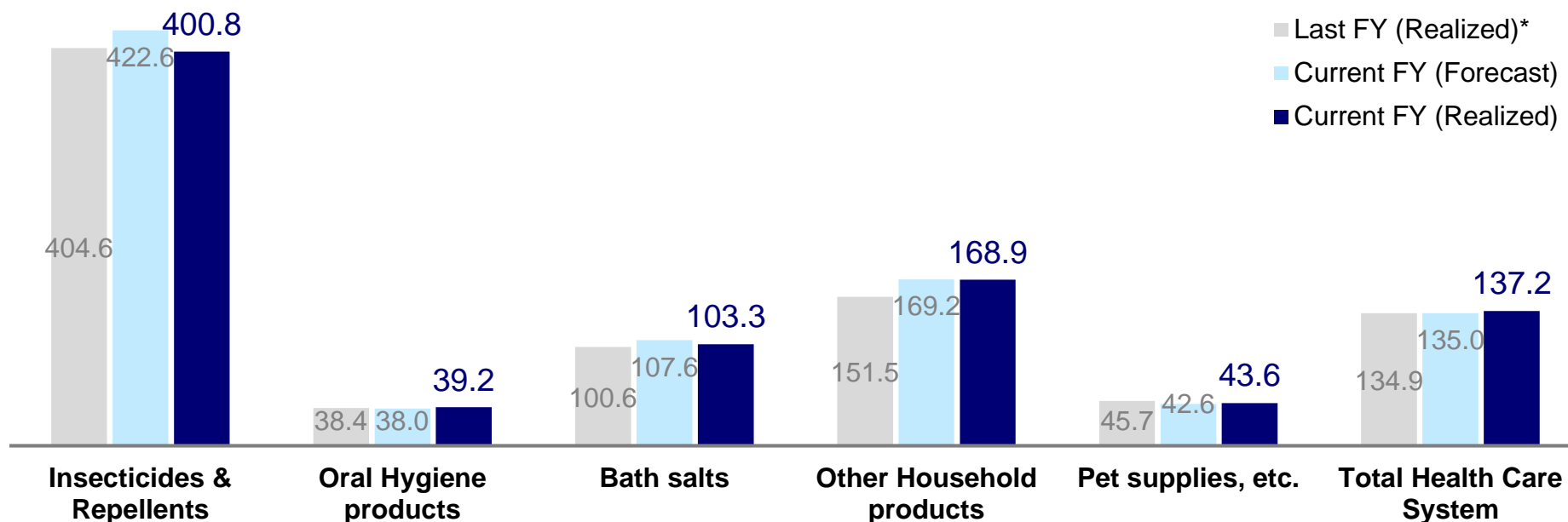


# Sales By Segment

\*To outside customers (excludes internal eliminations)

(Unit: 0.1 billion JPY)

- Sales of insecticides & repellents were impacted by sluggishness in the overall market, decreasing YoY as of the end of 2Q, and falling short of the forecast for the same period
- Strong performance overall for the product segments of household products and total health care system



YoY diff.\*

- 3.8

+ 0.7

+ 2.8

+ 17.4

- 2.1

+ 2.3

Diff. vs.  
forecast

- 21.8

+ 1.1

- 4.2

- 0.2

+ 1.0

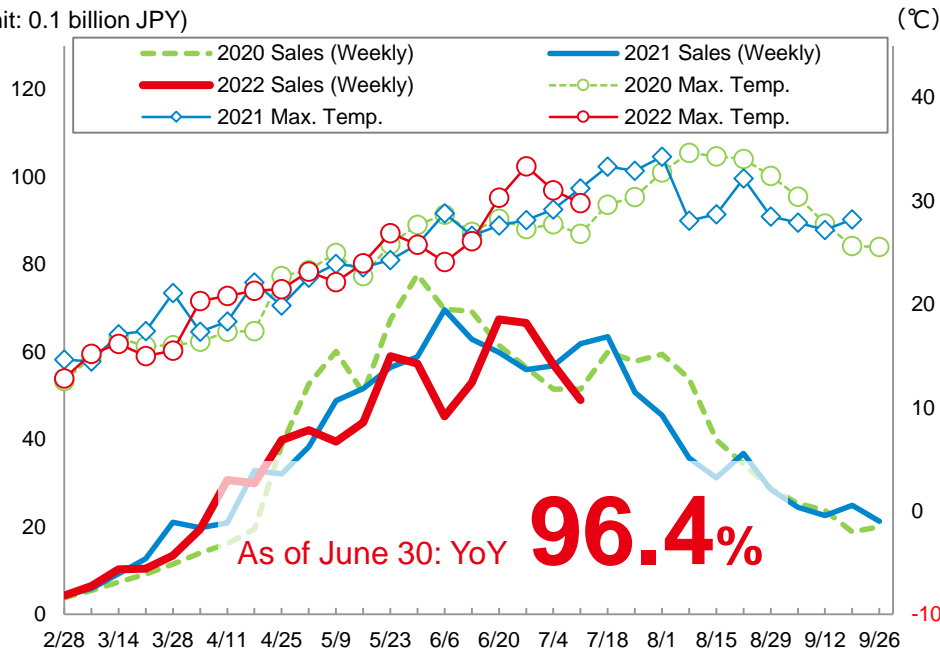
+ 2.2



# Status Of The Insecticides & Repellents Segment (Domestic)

## Market Trends

(Unit: 0.1 billion JPY)



- Uses against flies, mosquitoes, and cockroaches decreased YoY
- Strong sales of insecticides targeting ticks & mites, and harmful insects, as well as of repellents

Earth Corporation Market Share (As of June 30)

**56.0% ➔ 56.4%**

## Flagship Products - Trends

- EARTH NO MAT

Vs. forecast **88%**



- MUSHI YOKE NET EX

Vs. forecast **89%**



## New Products - Trends

- MAMOROOM

Vs. forecast **178%**



- ZERO de KNIGHT

Vs. forecast **230%**





# COGS – Status Overview

- Costs have soared, primarily for raw materials derived from palm oil and materials tied to the price of crude oil
- We have also been impacted by forex fluctuations when procuring goods overseas (including the impact on sea freight fares)

## Impact of soaring raw material prices

### Diff. vs. 2Q forecast

Profit Impact Amount

**- 300 million yen**

### Diff. vs. full year FY12/2022 forecast

Profit Impact Amount

**- 1.0 billion yen**

[Major raw & packaging materials experiencing soaring prices]

- Concentrated glycerin (MONDAHMIN; bath salts)
- Succinic acid; Sodium bicarbonate (bath salts)
- LPG (aerosols)
- Resins (Used for packaging, film wrapping, etc. across a wide range of products)

## Foreign exchange – Diff. vs. initial forecast

| Currency | Forecast |   | Rate<br>(June 30) | Vs. Forecast |
|----------|----------|---|-------------------|--------------|
| RMB      | 17.15    | ➡ | 20.38             | +18.8%       |
| USD      | 111.00   | ➡ | 136.68            | +24.3%       |
| THB      | 3.38     | ➡ | 3.85              | +13.9%       |
| VND      | 0.00505  | ➡ | 0.00583           | +15.4%       |

## Impact from foreign currency fluctuations

- The greatest impact has been from fluctuations in the RMB exchange rate, since RMB/JPY has the highest transaction volume for the Earth Corporation
- Should exchange rates remain at current levels, this could mean costs 300 – 400 million yen higher than forecast

# SG&A Expenses – Status Overview

(Unit: 0.1 billion JPY)

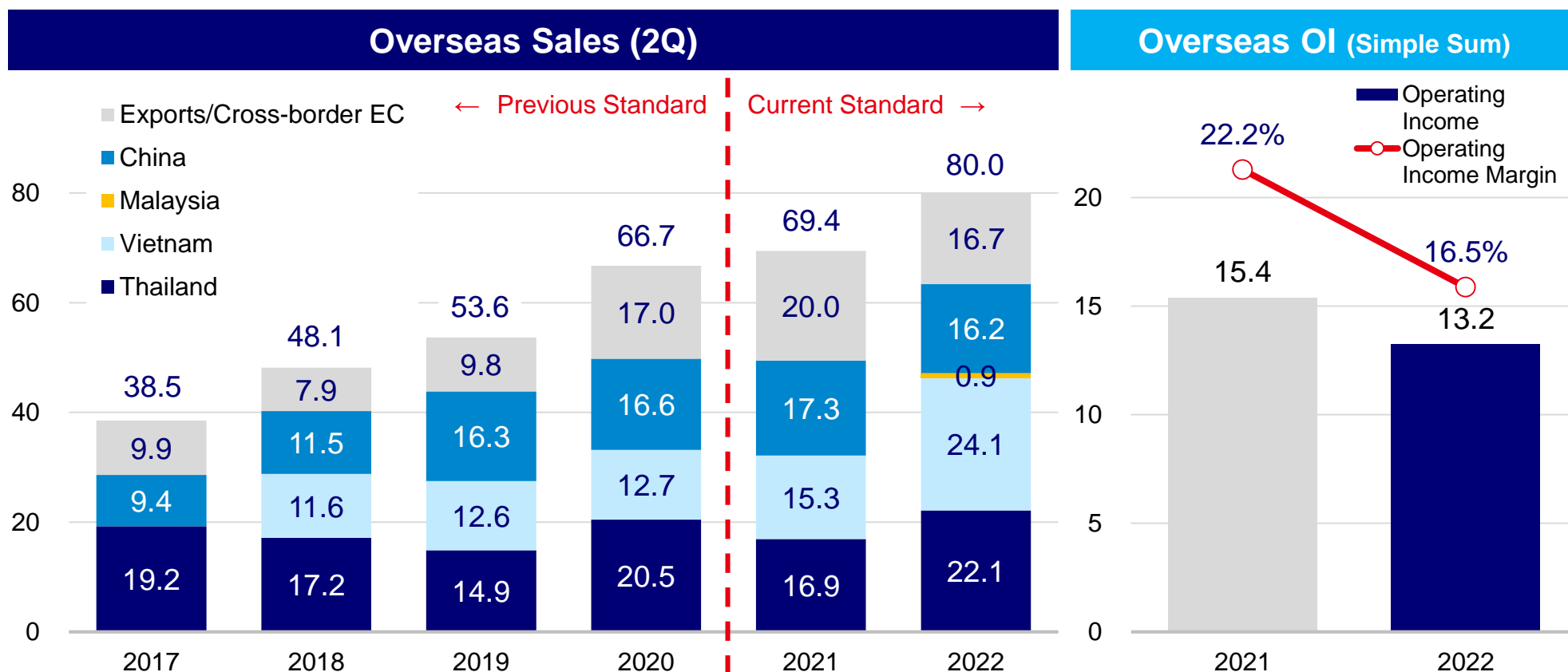
- As of the end of 2Q, for the most part, SG&A expense items remained in an adequate range, as formulated in the forecast
- For the majority of items that fell below the forecast, this was due to a spillover in the timing of recognition

|                                | 2Q FY12/2021 | 2Q FY12/2022 | 2Q FY12/2022 |               |   |
|--------------------------------|--------------|--------------|--------------|---------------|---|
|                                | Realized*    | Forecast     | Realized     | Vs. Forecast  | Topics  |
| Personal expenses              | 96.8         | 104.0        | 101.7        | ▲ 2.2         |   |
| Shipping costs                 | 21.5         | 23.2         | 23.1         | 0.0           |   |
| Storage costs                  | 12.2         | 13.2         | 13.1         | ▲ 0.1         |   |
| Advertising expenses           | 42.0         | 47.0         | 42.7         | ▲ 4.3         | < than expected(spillover in execution timing vs. the forecast) |
| Sales promotion expenses       | 6.4          | 4.9          | 5.9          | 0.9           |   |
| R&D expenses                   | 13.4         | 15.3         | 14.2         | ▲ 1.0         |   |
| Depreciation expenses          | 6.1          | 6.8          | 7.1          | 0.2           |   |
| Goodwill amortization          | 9.5          | 4.3          | 4.2          | ▲ 0.1         | Goodwill amortization for BATHCLIN CORP ended in 1Q 2022        |
| Travel&transportation expenses | 5.0          | 6.9          | 5.9          | ▲ 1.0         |   |
| Entertainment expenses         | 1.4          | 2.8          | 2.6          | ▲ 0.2         |   |
| Comission paid                 | 7.1          | 7.4          | 6.2          | ▲ 1.2         |   |
| Sales comissions               | 2.1          | 6.5          | 6.6          | 0.0           |   |
| Miscellaneous expenses         | 3.4          | 4.0          | 3.4          | ▲ 0.6         |   |
| Others                         | 38.2         | 43.7         | 43.2         | ▲ 0.4         |   |
| <b>Total</b>                   | <b>265.1</b> | <b>290.0</b> | <b>279.9</b> | <b>▲ 10.0</b> |   |

# Overseas Results (Including cross-border EC)

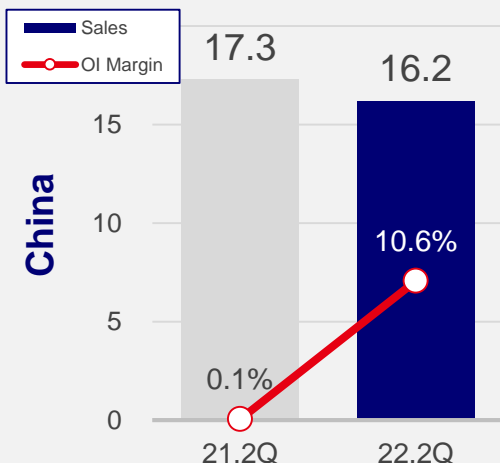
(Unit: 0.1 billion JPY)

- Sales YoY\* : 115% Strong performance, primarily in Thailand and Vietnam
- Slight decrease in profit margin, due to a YoY decrease in export sales from Japan
- While the lockdown in Shanghai has effectively been lifted, a full recovery is yet to materialize



# Overseas Results (Status By Country: China)

## Local Subsidiary Results\* (0.1 B JPY)



Effective YoY Sales On A Local Currency Basis : 78.7%

### Progress Status Vs. The Forecast

- The lockdowns caused a series of irregular situations, such as a paralysis in distribution and logistics and some of our clients and trading partners experiencing financial difficulties
- We aimed to expand sales in our EC channel. Although results for the 618 event were weak overall, we delivered YoY sales growth



### Measures In 2H

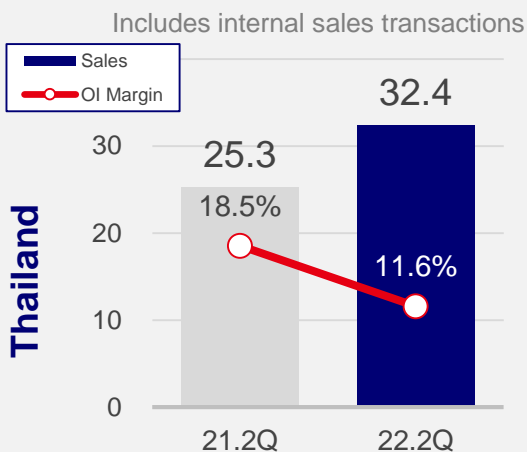
- Planned expansion in anticipation of the end of the COVID-19 pandemic
- Effective sales promotion premised on securing revenue
- Continue enhancing our EC channel  
Expand sales through the W11 event

## (Reference) Impact Due To Lockdown Measures

- Lockdown period: Late March – late May (Effectively 2 months)
  - Paralysis in distribution/logistics and inability to access our warehouses
  - EC channel : Difficulties in distribution/logistics prevented consumers from being able to make purchases
  - East China Area: Difficulty in shipping products to our premium clients. Shipped products from more distant regions such as Guangzhou, but this led to an increase in transportation costs
- Lockdowns were effectively lifted starting in June, but a full recovery is still not at hand

# Overseas Results (Status By Country: Thailand & Vietnam)

## Local Subsidiary Results\* (0.1 B JPY)



Effective YoY Sales On A Local Currency Basis : 114.5%

### Progress Status Vs. The Forecast

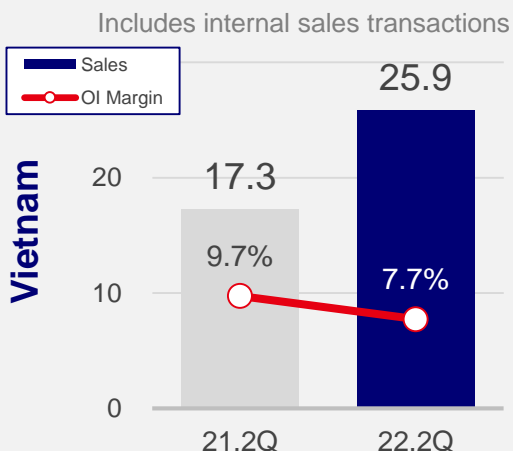
- Strong expansion of domestic sales in Thailand
- Insecticides & Repellents – the Earth Corporation rose to No.2 in market share
- While the impact of soaring raw material prices and currency fluctuations is gradually starting to be seen, the control of SG&A expenses allowed us to reach our profit target



### Measures In 2H

- Enhance the expansion of OP-T (local) channels
- Execute CSR activities in collaboration with public government organizations and neighboring retailers

## Local Subsidiary Results\* (0.1 B JPY)



Effective YoY Sales On A Local Currency Basis : 128.2%

### Progress Status Vs. The Forecast

- Strong expansion of domestic sales in Vietnam
- While profitability came slightly below target due to the impact of soaring raw material prices and other factors, we nevertheless achieved the profit target for 1H

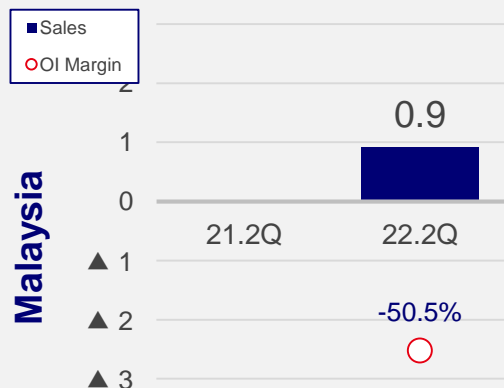


### Measures In 2H

- Raise prices for floor cleaner and dish washing products  
➡ Raise product prices by approx. 10%
- Carry out cost control measures to offset the impact from soaring raw material prices

# Overseas Results (Status By Country: Malaysia & Philippines)

## Local Subsidiary Results (0.1 B JPY)



Effective YoY Sales On A Local Currency Basis : —

### Progress Status Vs. The Forecast

- Executed new product launches according to plan. Secured sales exceeding the forecast.
- While distribution costs and promotion expenses to raise brand awareness increased, topline growth allowed us to meet the profit target



### Measures In 2H

- Launch new air freshener products
- Promotions toward expanding sales channels
- Profitability and sales price improvements

## Local Subsidiary Results (0.1 B JPY)

**Philippines**

Entered the Consolidated PL 3Q FY 2022

Effective YoY Sales On A Local Currency Basis : —

### Progress Status Vs. The Forecast

- Carried out the M&A of a company in the country, acquiring 66.7% of outstanding shares



### Measures In 2H

- Establish a market through product launches
- Unlock integration synergies (Transfer production of existing products, etc.)





# Earth Corporation

## FY12/2022 Forecast

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# FY12/2022 Forecast

- While the impact of soaring raw material prices and currency fluctuations exceeds our estimates, **the full year FY12/2022 forecast remains unchanged**
- Prepare topline growth thanks to the release of new products not contained in the forecast, and recovery measures such as cost reductions, etc.

| FY12/2022 Forecast   |                      |   |                      |                      |
|--|----------------------|---|----------------------|----------------------|
| <ul style="list-style-type: none"> <li>■ Sustain impact from soaring raw material prices; Execute adequate and sufficient investment toward future growth</li> <li>■ Despite a challenging environment, we will aim for over 10 billion yen in operating income and a record net income performance</li> </ul> |                      |   |                      |                      |
| (Unit: 0.1 billion JPY)  |                      |   |                      |                      |
|  | FY2022<br>(Forecast) | Topics  | FY2021<br>(Realized) | FY2022<br>(Forecast) |
| Sales  | 1,550                | <ul style="list-style-type: none"> <li>Actual +7.3 billion yen; Market forecast premised on average-year weather patterns</li> <li>Product returns (Insect. &amp; Repellents) 6.5% ➔ 6.0%</li> </ul>        | 2,037                | 2,110                |
| Gross Profit   | 668.5                | <ul style="list-style-type: none"> <li>Rising costs from soaring raw material prices: estimate of -1.25 billion yen</li> <li>Increase in gross profit, but slightly lower expected profit margin</li> </ul> | 823.3                | 850.5                |
| SG&A Expenses  | 561.0                | <ul style="list-style-type: none"> <li>R&amp;D; Core System maintenance expenses, etc. allocate additional funds toward future growth</li> </ul>  | 716.6                | 743.0                |
| Operating Income   | 107.5                | <ul style="list-style-type: none"> <li>Secure same operating income level as in FY2021</li> </ul>   | 106.6                | 107.5                |
| Net Income attributable to owners of parent  | 72.8                 | <ul style="list-style-type: none"> <li>Best performance ever</li> </ul>   | 71.4                 | 72.8                 |
| ROE  | ~12%                 | <ul style="list-style-type: none"> <li>Aim for a capital efficiency comparable to FY2021</li> </ul>   | 12.4%                | ~12%                 |

Source: FY12/2021 earnings briefing materials

# Initiatives Toward Achieving The Full-year Targets



## ■ Expand sales through the release of new products not accounted for in the initial forecast

- Fall launch of 66 new household product SKUs, including products not accounted for in the initial forecast
- Sales target: 2.6 billion yen

## ■ Execute cost controls

- Make efficient use of expenses toward securing profits
- However, we will be taking a pro-active approach to the use of expenses necessary for sustainable growth

## ■ Advance execution of cost pass-throughs

- Execute cost pass-throughs starting in the fall season, for some household products like chemical dehumidifiers and insulation materials
- We have already started executing these measures in the Overseas market

# Fall Season – New Product Releases

- We plan to launch 66 SKUs. Sales\* target : 2.6 billion yen

## Bath salts



## Oral Hygiene products



## Other Household products





# **Earth Corporation**

## **Management Policy Going Forward**

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# Cost Pass-through Policy

**Market expansion is the responsibility & obligation of top manufacturers**



- **Build a foundation allowing us to sell products retailing at high price points**



- **2023: Execute cost pass-throughs, especially for insecticides & repellents**

- Make decisions comprehensively, taking into account the impact on things like purchasing frequency, price elasticity, market share, and the Earth Corporation's results
- We expect cost pass-throughs to allow us to improve operating income margin by approx. 1 pt.

**Soaring raw material prices & forex fluctuations**

## COGS – Status Overview

- Costs have soared, primarily for raw materials derived from palm oil and materials tied to the price of crude oil
- We have also been impacted by forex fluctuations when procuring goods overseas (including the impact on sea freight fares)

### Impact of soaring raw material prices

Diff. vs. 2Q forecast

Profit Impact Amount

**- 300 million yen**

### Foreign exchange

| Currency | Forecast |   |                |
|----------|----------|---|----------------|
| RMB      | 17.15    | ⇒ | 20.36 +18.8%   |
| USD      | 111.00   | ⇒ | 136.68 +24.3%  |
| THB      | 3.38     | ⇒ | 3.85 +13.9%    |
| VND      | 0.00505  | ⇒ | 0.00583 +15.4% |

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**Negative pressure on profits**



# Progress Update On Investment Projects

- Pay close attention to capital efficiency and carry out investments toward profit growth
  - Establish a hurdle rate for each project  
(Evaluate risk with a baseline of 7% as a rough estimate)  
Adequately carry out a decision-making process based on investment viability criteria
- [Status Of Investment]

| Major Investment Projects   | Objective   | 2022 |     |     |     | 2023 |     |     |     |
|---|---|------|-----|-----|-----|------|-----|-----|-----|
|   |   | 1Q   | 2Q  | 3Q  | 4Q  | 1Q   | 2Q  | 3Q  | 4Q  |
| • M&A of a company in the Philippines                             | Part of efforts to expand the profit foundation in Asia   | ★    | --- | --- | --- | ---  | --- | --- | --- |
| • Revamp our core system  | Efficiency improvements in multiple domains, such as production, procurement, sales logistics, etc. | ---  | --- | --- | --- | ---  | --- | →   | ★   |
| • Reinforce seismic resistance at wastewater treatment facilities | BCP measures  |      |     |     | --- | ---  | --- | →   | ★   |
| • Bath salts – increase production lines                          | Expand production capacity to address demand growth   | ---  | --- | --- | --- | ---  | →   | ★   |     |
| • Insecticides & repellents – increase production lines           | Expand production capacity to address demand growth   |      |     |     |     |      |     | --- | →   |
| • Build a new R&D block at Tokushima Pet Land                     | Increase product development capabilities by revamping our R&D facilities                           |      |     | --- | →   | ★    |     |     |     |

## Social

### ■ Signed a donation agreement with Monash University

- Collaborate with the World Mosquito Program, established by researchers at Monash University in Australia, and support the prevention of mosquito-borne diseases in Vietnam.
- Donation agreement with Monash Univ., toward the execution of disease preventative activities, leveraging the Earth Corp's knowledge and knowhow in insecticide & repellent R&D.



[Earth Corp. signs a donation agreement with Monash Univ. in Australia \(earth.jp\)\\*](http://earth.jp)

### ■ Participate in the Cosme Bank Project

- This is a project to distribute cosmetics and household products donated by companies that are a signatory of this project, to individuals who, for economic reasons, cannot access these products.
- We joined as an advisory board company, in the hopes of helping reduce negative impacts on the environment and of solving social issues.



[Earth Corp. participates in the Cosme Bank Project \(earth.jp\)\\*](http://earth.jp)

## Governance

### ■ Sale of shares in Taiko Pharmaceutical Co., Ltd.

- Part of the sustained review of the Earth Corporation's strategic cross-shareholdings.
- The method of sale is currently being discussed.
- Continuation of the Business Alliance Agreement with Taiko Pharmaceutical.  
Advance efforts together with Taiko Pharma, toward the widespread adoption and use of MA-T.

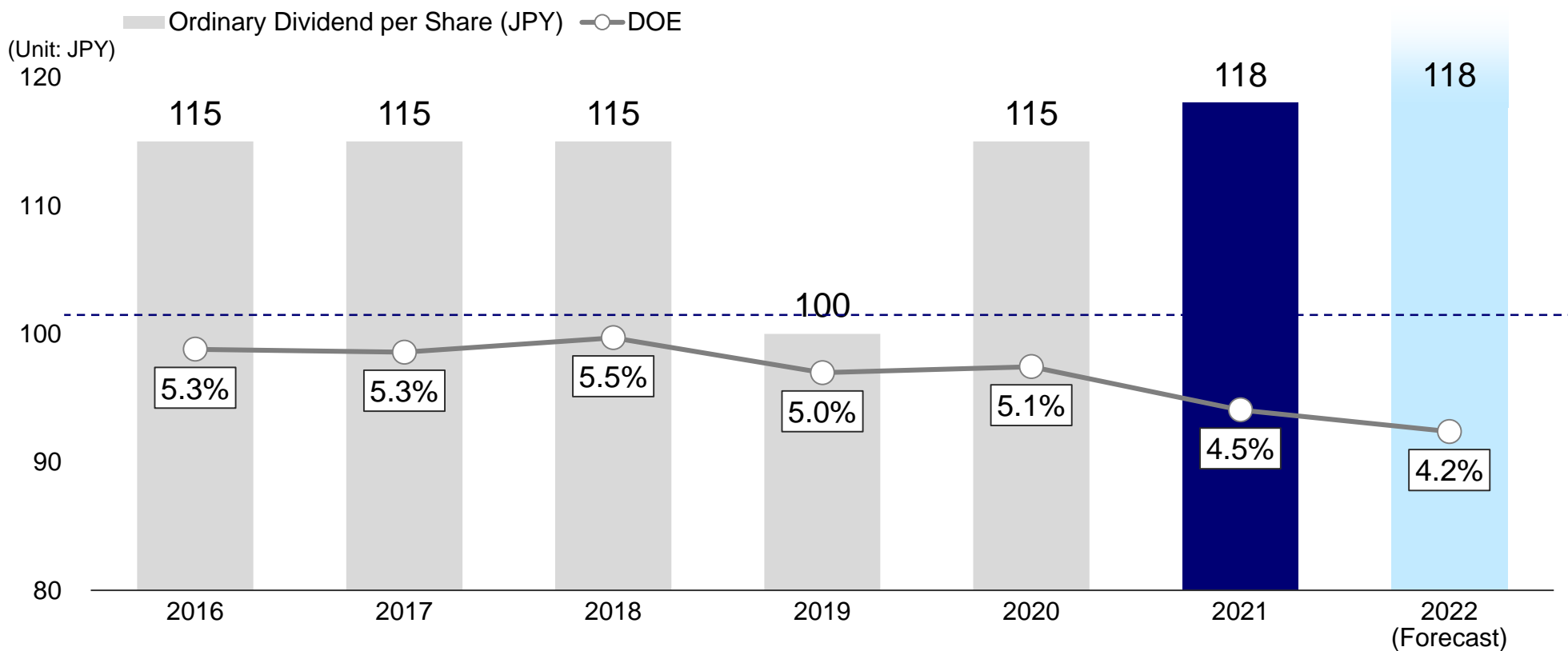
[Notice Regarding Sale of Shares in Taiko Pharmaceutical Co., Ltd. and Continuation of Business Alliance Agreement \(earth.jp\)](http://earth.jp)

### ■ Establish a Nomination and Remuneration Committee

- Adhered to CGC Supplementary Principle 4-10-1.
- Have a structure with a majority of Independent Outside Directors, and employ a process of consultation prior to BOD meeting decisions, on matters such as:
  - Director remuneration
  - Appointment and dismissal of Directors
  - Succession plans

# 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





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.

# APPENDIX.



# Earth Corporation

## Effect of adoption of accounting standard for revenue recognition

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# Estimated annual impact

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

# Timing of recording sales promotion expenses (sales deductions)

- System is being built to more timely identify the actual status of revenue and to improve the efficiency of sales promotion expenses
- Reasonably estimate variable promotional expenses from the promotional expense plan tied to the sales plan and deduct them from revenue  
This will allow us to implement efficient marketing initiatives with enhanced revenue management (by division and by client)

## Construction and operation of sales promotion cost management system (From 2019)

- **Managed on two axes by company and by product**
- **Clarify "to what (where)," "how much," and "how," to enable appropriate effectiveness verification.**

## In addition to the system, management accuracy is increased based on past results.

- Appropriate promotional expense management clarifies the use and duration of promotional expenses.
- Estimates sales promotion costs for each transaction with high accuracy by comparing sales forecasts and sales promotion conditions with past actual results, and deducts sales at the time sales are recorded.

## Restructuring of profit management system (from 2021)

- and resource allocationVisualization by business unit and product category on two axes
- Understand the earnings situation in a more timely and precise manner and take appropriate measures under any circumstances.
- Foundation for business portfolio reorganization

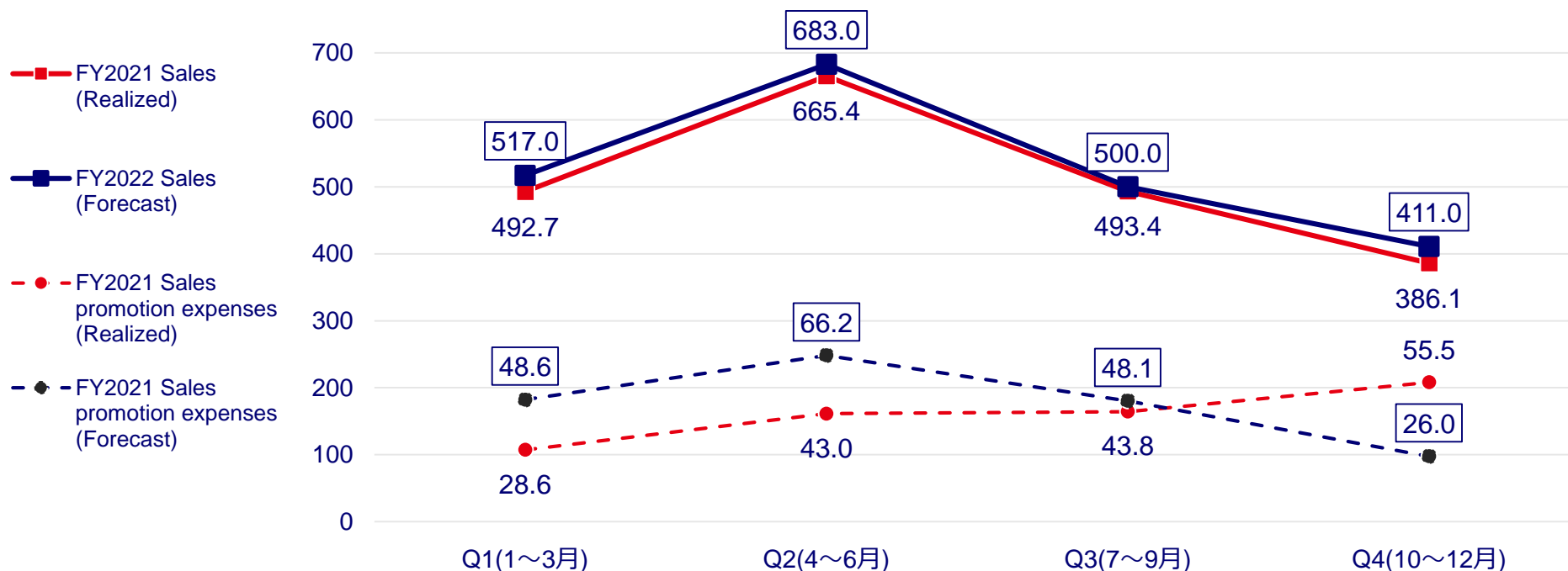
**More timely grasp of the  
actual status of earnings  
More Timely and Reliable**

# Quarterly Sales Promotion Plan

Cf. Previous standard\*

(Unit: 0.1 billion JPY)

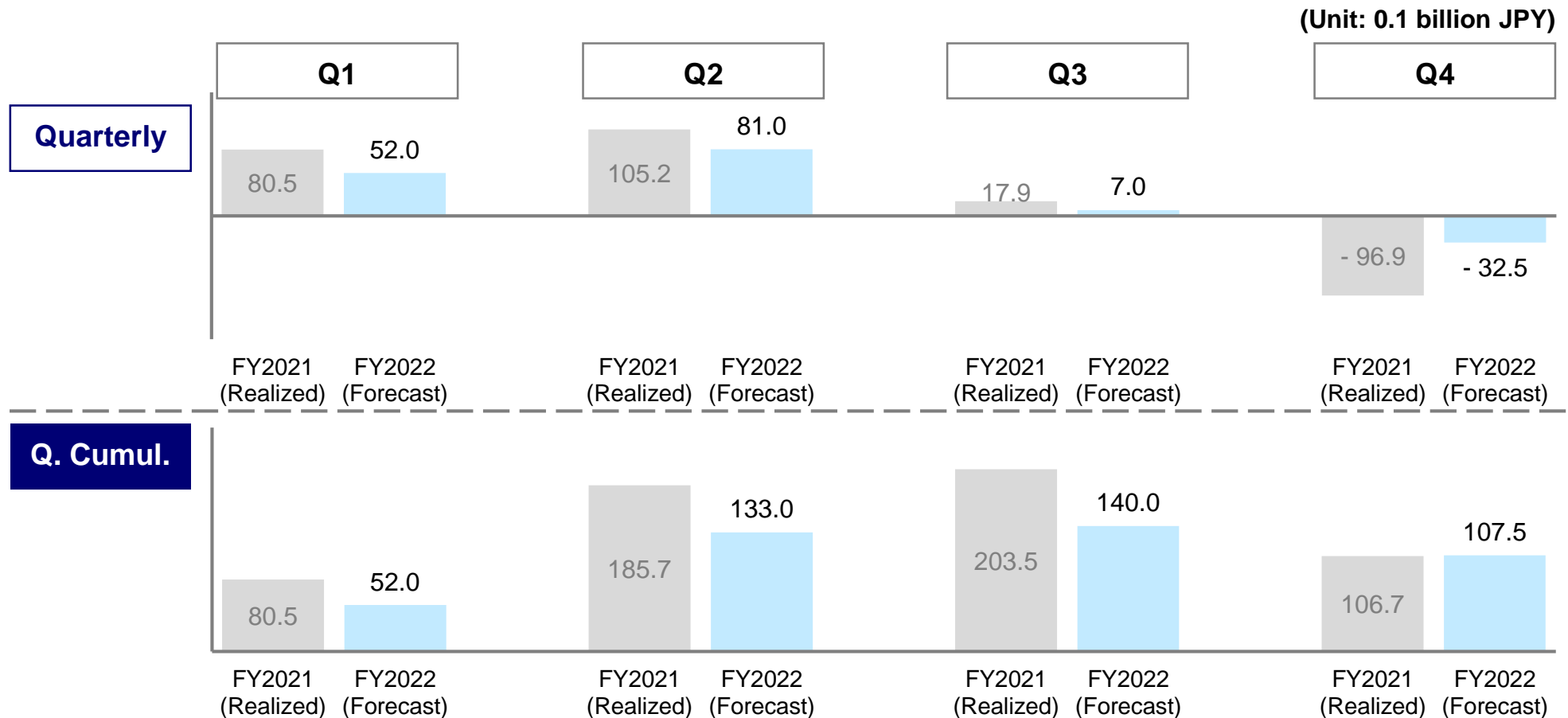
- Assume that from this fiscal year, sales promotion expenses will generally follow a curve in proportion to net sales
  - ➔ Expenses are linked to highly seasonal sales trends, and profits are more even than before.



|   | Q1     | Q2     | Q3    | Q4     |
|---|--------|--------|-------|--------|
| Promotional Expenses_Difference by Quarter<br>FY21 (Realized) vs. FY22 (Forecast) | + 20.0 | + 23.2 | + 4.3 | ▲ 29.5 |

# Operating Income Forecast (Quarterly/Cumulative total)

- Although visually, operating income in Q1-Q3 is expected to decline YoY, the impact on the year-to-date total is expected to be negligible





**Earth Corporation**

# **Supplementary Materials; FY12/2022 2Q Results**

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# Consolidated Statement of Income



(Unit : million JPY)

|                                      | 2Q FY12/22<br>Realized* | 2Q FY12/22<br>Forecast | 2Q FY12/22<br>Realized | YoY     | vs.FCT  | FY12/22<br>Forecast | 2Q YTD | 2Q FY12/21<br>Realized** |
|--------------------------------------|-------------------------|------------------------|------------------------|---------|---------|---------------------|--------|--------------------------|
| Sales                                | 87,569                  | 91,500                 | 89,305                 | 102.0%  | 97.6%   | 155,000             | 57.6%  | 115,821                  |
| Cost of sales                        | 47,536                  | 49,200                 | 49,372                 | 103.9%  | 100.4%  | 88,150              | 56.0%  | 64,218                   |
| Gross profit                         | 40,032                  | 42,300                 | 39,933                 | 99.8%   | 94.4%   | 66,850              | 59.7%  | 51,603                   |
| SG&A expenses                        | 26,516                  | 29,000                 | 27,991                 | 105.6%  | 96.5%   | 56,099              | 49.9%  | 33,036                   |
| Operating profit                     | 13,516                  | 13,300                 | 11,941                 | 88.3%   | 89.8%   | 10,750              | 111.1% | 18,566                   |
| Non-operating income                 | 385                     | 130                    | 796                    | 206.7%  | 613.0%  | 500                 | 159.4% | 385                      |
| Non-operating expenses               | 45                      | 30                     | 23                     | 53.1%   | 79.7%   | 100                 | 23.9%  | 45                       |
| Ordinary profit                      | 13,857                  | 13,400                 | 12,714                 | 91.8%   | 94.9%   | 11,150              | 114.0% | 18,907                   |
| Extraordinary income                 | 1                       | 0                      | 23                     |         |         | 0                   |        | 1                        |
| Extraordinary losses                 | 13                      | 100                    | 69                     | 502.4%  | 69.6%   | 250                 | 27.9%  | 13                       |
| Net income before income taxes       | 13,844                  | 13,300                 | 12,668                 | 91.5%   | 95.2%   | 10,900              | 116.2% | 18,895                   |
| Gross profit ratio                   | 45.7%                   | 46.2%                  | 44.7%                  | - 1.0pt | - 1.5pt | 43.1%               |        | 44.6%                    |
| Operating income ratio               | 15.4%                   | 14.5%                  | 13.4%                  | - 2.1pt | - 1.2pt | 6.9%                |        | 16.0%                    |
| Net income before income taxes ratio | 15.8%                   | 14.5%                  | 14.2%                  | - 1.6pt | - 0.4pt | 7.0%                |        | 16.3%                    |

\*LFY results provided for reference purposes, calculated retroactively using the new Accounting Standard \*\*Standard until 2021



# Consolidated Sales by Segment



(Unit : million JPY)

|  | 2Q FY12/21<br>Realized* | 2Q FY12/21<br>Forecast | 2Q FY12/21<br>Realized | YoY    | vs.FCT | FY12/21<br>Forecast | 2Q YTD | 2Q FY12/21<br>Realized** |
|--|-------------------------|------------------------|------------------------|--------|--------|---------------------|--------|--------------------------|
| Insecticides & Repellents                          | 44,319                  | 45,405                 | 44,086                 | 99.5%  | 97.1%  | 61,431              | 71.8%  | 51,569                   |
| Oral hygiene products                              | 3,857                   | 3,807                  | 3,950                  | 102.4% | 103.7% | 8,280               | 47.7%  | 21,549                   |
| Bath salts   | 11,590                  | 12,128                 | 11,865                 | 102.4% | 97.8%  | 27,219              | 43.6%  | 13,124                   |
| Other household products                           | 16,218                  | 17,813                 | 17,941                 | 110.6% | 100.7% | 33,792              | 53.1%  | 17,913                   |
| Household products                                 | 31,666                  | 33,749                 | 33,757                 | 106.6% | 100.0% | 69,292              | 48.7%  | 52,587                   |
| Pet products & others                              | 4,971                   | 4,962                  | 4,709                  | 94.7%  | 94.9%  | 7,039               | 66.9%  | 5,067                    |
| Household products business subtotal               | 80,956                  | 84,117                 | 82,553                 | 102.0% | 98.1%  | 137,763             | 59.9%  | 109,224                  |
| General environment & sanitation business subtotal | 13,557                  | 13,572                 | 13,800                 | 101.8% | 101.7% | 27,700              | 49.8%  | 13,546                   |
| Total sales include internal sales                 | 94,514                  | 97,689                 | 96,353                 | 101.9% | 98.6%  | 165,463             | 58.2%  | 122,770                  |
| (Adjustments)                                      | - 6,945                 | - 6,189                | - 7,048                |        |        | - 10,463            |        | - 6,949                  |
| Total sales  | 87,569                  | 91,500                 | 89,305                 | 102.0% | 97.6%  | 155,000             | 57.6%  | 115,821                  |

(Composition ratio) \*Denominator is total including internal sales

|   |       |       |       |         |         |       |       |
|---|-------|-------|-------|---------|---------|-------|-------|
| Insecticides & Repellents                 | 50.6% | 49.6% | 49.4% | - 1.2pt | - 0.3pt | 39.6% | 44.5% |
| Household products                        | 36.2% | 36.9% | 37.8% | 1.6pt   | 0.9pt   | 44.7% | 45.4% |
| Pet products & others                     | 5.7%  | 5.4%  | 5.3%  | - 0.4pt | - 0.1pt | 4.5%  | 4.4%  |
| Household products business               | 92.4% | 91.9% | 92.4% | - 0.0pt | 0.5pt   | 88.9% | 94.3% |
| General environment & sanitation business | 15.5% | 14.8% | 15.5% | - 0.0pt | 0.6pt   | 17.9% | 11.7% |

# Operating Income Change Factors (YonY)



(Unit : million JPY)

| FY12/21.2 Q<br>(Realized)* |                                     | <Breakdown>  |        |
|----------------------------|-------------------------------------|--|--------|
| 13,516                     | Increase in gross profit<br>-99     | <ul style="list-style-type: none"> <li>Increase in gross profit due to an increase in sales + 961</li> <li>Impact from changes in the sales composition ratio</li> <li>Impact from raw material prices and exchange rate fluctuations</li> </ul>   | -1,060 |
|                            | Increase in SG&A expenses<br>-1,475 | <ul style="list-style-type: none"> <li>Increase in personnel expenses -487</li> <li>Increase in distribution expenses -255</li> <li>Increase in advertising expenses -75</li> <li>Decrease in sales promotion expenses + 47</li> <li>Costs of travel &amp; transportation expenses, other activities -204</li> <li>Increase in commissions paid -347</li> <li>Others -154</li> </ul> |        |
| FY12/21.2Q<br>(Realized)   |                                     |  |        |
| 11,941                     |                                     |  |        |

\*LFY results provided for reference purposes, calculated retroactively using the new Accounting Standard

# Operating Income Change Factors (vs. Forecast)

(Unit : million JPY)

| FY12/22.2Q<br>(Forecast) |  | <Breakdown>   |        |
|--------------------------|--|---|--------|
| 13,300                   | Gross Profit overperformance<br>-2,366 | <ul style="list-style-type: none"> <li>Impact from sales plan not achieved -1,000</li> <li>Impact from changes in the sales composition ratio</li> <li>Impact from raw material prices and exchange rate fluctuations</li> </ul>  | -1,366 |
|                          | SG&A expenses within budget<br>+ 1,009 | <ul style="list-style-type: none"> <li>Personnel expenses below the forecast + 228</li> <li>Distribution expenses above the forecast + 19</li> <li>Unused/moved to next FY advertising expenses + 432</li> <li>Unused/moved to next FY R&amp;D expenses + 104</li> <li>Costs of travel &amp; transportation expenses, other activities + 125</li> <li>Others + 101</li> </ul> |        |
| FY12/21.2Q<br>(Realized) |  |   |        |
| 11,941                   |  |   |        |

# SG&A Expenses

(Unit : million JPY)

|                                | 2Q FY12/21<br>Realized* | 2Q FY12/22<br>Forecast | 2Q FY12/22<br>Realized | YoY     | vs.FCT  | FY12/22<br>Forecast | 2Q YTD | 2Q FY12/21<br>Realized** |
|--------------------------------|-------------------------|------------------------|------------------------|---------|---------|---------------------|--------|--------------------------|
| Personal expenses              | 9,686                   | 10,401                 | 10,173                 | 105.0%  | 97.8%   | 20,910              | 48.7%  | 9,686                    |
| Shipping costs                 | 2,150                   | 2,322                  | 2,315                  | 107.7%  | 99.7%   | 4,449               | 52.0%  | 2,150                    |
| Strage costs                   | 1,224                   | 1,326                  | 1,314                  | 107.4%  | 99.1%   | 2,511               | 52.3%  | 1,224                    |
| Advertising costs              | 4,201                   | 4,708                  | 4,276                  | 101.8%  | 90.8%   | 8,120               | 52.7%  | 4,201                    |
| Sales promotion expenses       | 641                     | 496                    | 594                    | 92.7%   | 119.8%  | 1,070               | 55.5%  | 7,161                    |
| R&D expenses                   | 1,346                   | 1,530                  | 1,426                  | 105.9%  | 93.2%   | 3,386               | 42.1%  | 1,346                    |
| Depreciation expenses          | 619                     | 686                    | 715                    | 115.5%  | 104.2%  | 1,388               | 51.5%  | 619                      |
| Goodwill amortization          | 954                     | 437                    | 423                    | 44.3%   | 96.8%   | 450                 | 94.0%  | 954                      |
| Travel&transportation expenses | 506                     | 691                    | 590                    | 116.6%  | 85.4%   | 1,393               | 42.4%  | 506                      |
| Entertainment expenses         | 141                     | 285                    | 261                    | 185.1%  | 91.6%   | 474                 | 55.1%  | 141                      |
| Comission paid                 | 718                     | 743                    | 620                    | 86.4%   | 83.4%   | 1,372               | 45.2%  | 718                      |
| Sales comission                | 216                     | 653                    | 661                    | 306.0%  | 101.2%  | 1,245               | 53.1%  | 216                      |
| Miscellaneous expenses         | 342                     | 409                    | 348                    | 101.8%  | 85.1%   | 1,028               | 33.9%  | 342                      |
| Others                         | 3,772                   | 4,313                  | 4,275                  | 113.3%  | 99.1%   | 8,303               | 51.5%  | 3,772                    |
| Total                          | 26,516                  | 29,000                 | 27,991                 | 105.6%  | 96.5%   | 56,099              | 49.9%  | 33,036                   |
| (Composition ratio)            |                         |                        |                        |         |         |                     |        |                          |
| Personal expenses ratio        | 11.1%                   | 11.4%                  | 11.4%                  | 0.3pt   | 0.0pt   | 13.5%               |        | 8.4%                     |
| Advertising costs ratio        | 4.8%                    | 5.1%                   | 4.8%                   | - 0.0pt | - 0.4pt | 5.2%                |        | 3.6%                     |
| R&D expenses ratio             | 1.5%                    | 1.7%                   | 1.6%                   | 0.1pt   | - 0.1pt | 2.2%                |        | 1.2%                     |

\*LFY results provided for reference purposes, calculated retroactively using the new Accounting Standard

\*\*Standard until 2021

# Consolidated Balance Sheet

(Unit : million JPY)

|                         |  | 2021.2Q | 2022.2Q | YoY     | End of 2021 |
|-------------------------|--|---------|---------|---------|-------------|
| Current assets          | Cash & deposits                              | 24,154  | 21,739  | - 2,415 | 21,027      |
|                         | Trade receivable                             | 36,693  | 37,223  | 529     | 22,941      |
|                         | Inventories                                  | 26,286  | 29,147  | 2,860   | 27,502      |
|                         | Others                                       | 2,256   | 2,809   | 553     | 2,547       |
| Non-current assets      | Property, plant & equipment                  | 27,940  | 28,501  | 560     | 27,551      |
|                         | Intangible assets                            | 5,257   | 4,788   | - 469   | 4,276       |
|                         | Investments & other assets                   | 13,731  | 15,916  | 2,185   | 14,868      |
| Total assets            |  | 136,320 | 140,125 | 3,804   | 120,715     |
| Current liabilities     | Trade payables                               | 39,852  | 38,834  | - 1,018 | 32,449      |
|                         | Short-term borrowings                        | 2,223   | 2,284   | 61      | 2,498       |
|                         | Others                                       | 20,357  | 25,426  | 5,068   | 17,351      |
| Non-current liabilities | Long-term borrowings                         | 1,690   | 720     | - 970   | 1,200       |
|                         | Others                                       | 2,562   | 1,903   | - 658   | 2,618       |
| Total liabilities       |  | 66,686  | 69,168  | 2,482   | 56,118      |
| Net assets              | Total shareholders' equity                   | 63,351  | 62,916  | - 435   | 57,537      |
|                         | Total accumulated other comprehensive income | 1,747   | 3,289   | 1,542   | 2,421       |
|                         | Non-controlling interests                    | 4,534   | 4,750   | 216     | 4,638       |
| Total net assets        |  | 69,634  | 70,956  | 1,322   | 64,596      |

# Quarterly statement of Cash flows

(Unit : million JPY)

|  | 2021.2Q | 2022.2Q | YoY    | End of<br>2021 |
|--|---------|---------|--------|----------------|
| Cash flows from operating activities                                       | 6,729   | 6,686   | -43    | 4,814          |
| Cash flows from investing activities                                       | -2,308  | -3,173  | -864   | -3,220         |
| Cash flows from financing activities                                       | -4,175  | -3,642  | 533    | -4,610         |
| Effect of exchange rate change on cash and cash equivalents                | 192     | 713     | 521    | 327            |
| Net increase(decrease) in cash and cash equivalents                        | 438     | 584     | 146    | -2,688         |
| Cash and cash equivalents at beginning of period                           | 23,716  | 21,027  | -2,688 | 23,716         |
| Increase in cash and cash equivalents from newly consolidated subsidiaries |         | 126     |        |                |
| Cash and cash equivalents at end of period                                 | 24,154  | 21,739  | -2,415 | 21,027         |

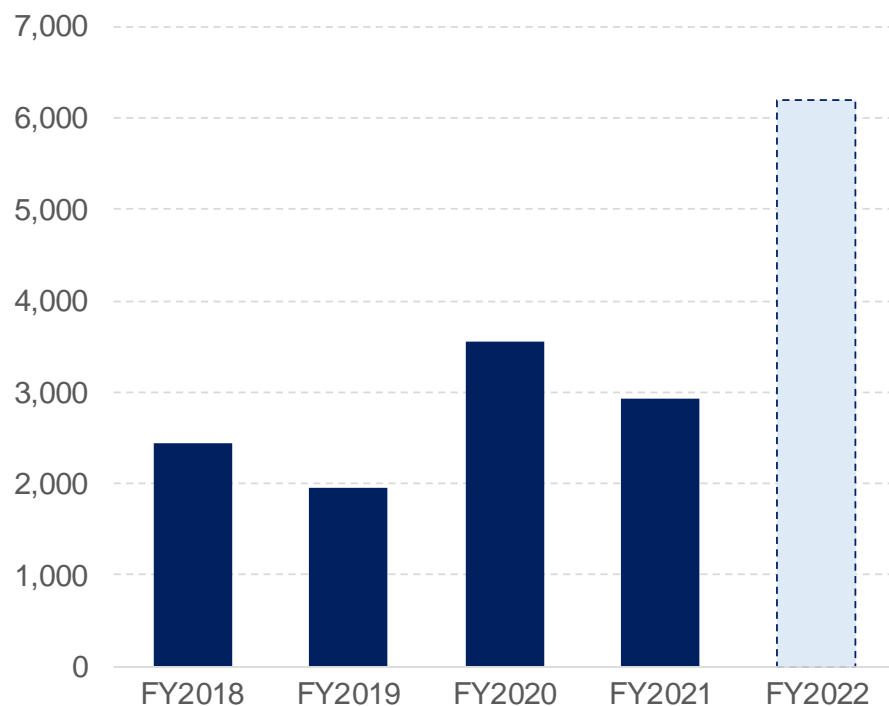
# Consolidated: Capital expenditure, Depreciation expenses

(Unit : million JPY)

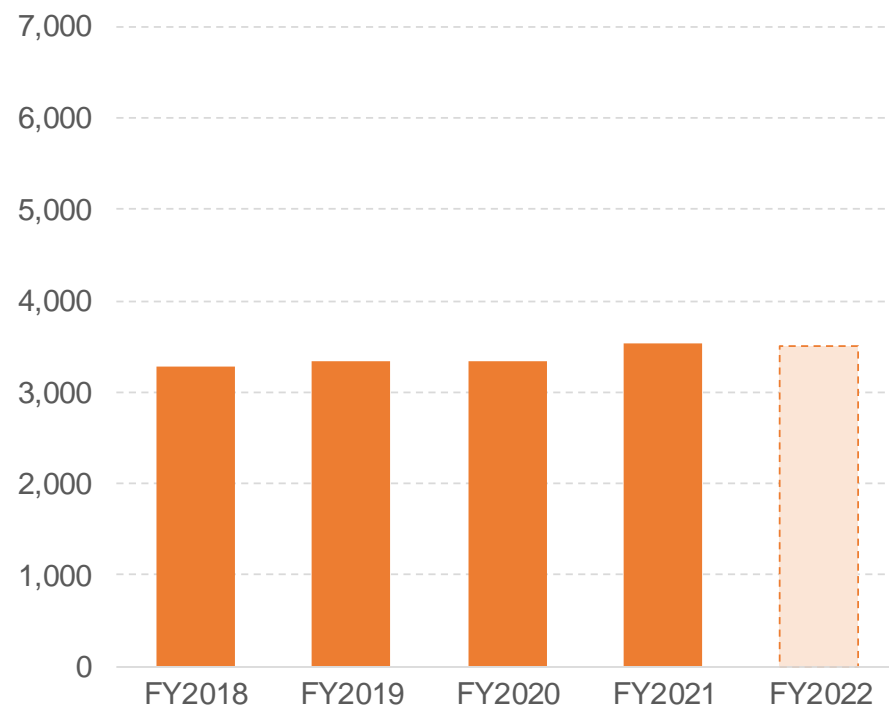
|                     | FY2018   | FY2019   | FY2020   | FY2021   | FY2022   |
|---------------------|----------|----------|----------|----------|----------|
| (単位：百万円)            | Realized | Realized | Realized | Realized | Forecast |
| Capital expenditure | 2,442    | 1,953    | 3,548    | 2,928    | 6,200    |

|                       | FY2018   | FY2019   | FY2020   | FY2021   | FY2022   |
|-----------------------|----------|----------|----------|----------|----------|
| (単位：百万円)              | Realized | Realized | Realized | Realized | Forecast |
| Depreciation expenses | 3,290    | 3,334    | 3,334    | 3,537    | 3,500    |

Capital expenditure



Depreciation expenses



# Overview of Group Companies' Business Performance



(Unit : million JPY)

| Earth Corporation            |           |          |          | BATHCLIN Corporation        |          |          | Hakugen Earth Co., Ltd.    |          |          | Earth Pet Co., Ltd.                  |          |          |
|------------------------------|-----------|----------|----------|-----------------------------|----------|----------|----------------------------|----------|----------|--------------------------------------|----------|----------|
|                              | FY21.2Q   | FY22.2Q  | FY22.2Q  | FY21.2Q                     | FY22.2Q  | FY22.2Q  | FY21.2Q                    | FY22.2Q  | FY22.2Q  | FY21.2Q                              | FY22.2Q  | FY22.2Q  |
|                              | Realized* | Forecast | Realized | Realized*                   | Forecast | Realized | Realized*                  | Forecast | Realized | Realized*                            | Forecast | Realized |
| Sales                        | 52,155    | 54,411   | 51,479   | 6,996                       | 7,360    | 7,425    | 9,226                      | 9,967    | 9,605    | 3,418                                | 3,292    | 3,137    |
| Gross profit                 | 24,111    | 26,373   | 23,417   | 3,075                       | 3,120    | 3,179    | 3,551                      | 3,418    | 3,208    | 1,429                                | 1,272    | 1,346    |
| Operatig income              | 11,041    | 11,215   | 9,052    | 645                         | 586      | 652      | 988                        | 617      | 571      | 395                                  | 286      | 457      |
| PETFOOD KITCHEN CO., LTD.    |           |          |          | Earth(Thailand)Co.,Ltd.     |          |          | Earth Corporation Vietnam  |          |          | Earth Home Products Maraysia         |          |          |
|                              | FY21.2Q   | FY22.2Q  | FY22.2Q  | FY21.2Q                     | FY22.2Q  | FY22.2Q  | FY21.2Q                    | FY22.2Q  | FY22.2Q  | FY21.2Q                              | FY22.2Q  | FY22.2Q  |
|                              | Realized* | Forecast | Realized | Realized*                   | Forecast | Realized | Realized*                  | Forecast | Realized | Realized*                            | Forecast | Realized |
| Sales                        | 245       | 281      | 265      | 2,530                       | 2,641    | 3,243    | 1,649                      | 1,922    | 2,588    | 0                                    | 60       | 92       |
| Gross profit                 | 133       | 150      | 138      | 862                         | 772      | 943      | 643                        | 773      | 953      | 0                                    | 26       | 26       |
| Operatig income              | - 24      | - 6      | 2        | 469                         | 256      | 375      | 162                        | 103      | 200      | 0                                    | - 45     | - 46     |
| Earth Corporation (Shanghai) |           |          |          | Earth Corporation (Tianjin) |          |          | Earth Corporation (Suzhou) |          |          | Earth Environmental Service Co.,Ltd. |          |          |
|                              | FY21.2Q   | FY22.2Q  | FY22.2Q  | FY21.2Q                     | FY22.2Q  | FY22.2Q  | FY21.2Q                    | FY22.2Q  | FY22.2Q  | FY21.2Q                              | FY22.2Q  | FY22.2Q  |
|                              | Realized* | Forecast | Realized | Realized*                   | Forecast | Realized | Realized*                  | Forecast | Realized | Realized*                            | Forecast | Realized |
| Sales                        | 1,597     | 1,518    | 1,535    | 2,136                       | 1,958    | 2,269    | 1,004                      | 734      | 909      | 13,557                               | 13,572   | 13,800   |
| Gross profit                 | 481       | 461      | 491      | 415                         | 250      | 387      | 255                        | 107      | 174      | 5,392                                | 5,638    | 5,761    |
| Operatig income              | 1         | 155      | 171      | 275                         | 92       | 214      | 153                        | 19       | 81       | 584                                  | 578      | 790      |

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