



Earnings briefing materials for 1Q of the fiscal year ending December 2024

05/10/2024

アース製薬株式会社

Executive Summary



24.1Q
Realized

Sales : 42.04 billion yen (VS Forecast +0.1% +0.04 billion yen)

Operating Income: 4.97 billion yen (VS Forecast +77.8%+ 2.17 billion yen)

- Insecticides & repellents performed as expected. Strong performance of General Environment and Sanitation Business and Over seas.
- In daily necessities, mainstay bath salts and oral hygiene products fell short of plan.
- Impact of raw material price hikes was absorbed by the effects of price revision measures in 1Q
- Significant profit growth in 1Q due to conservative estimation of COGs at the planning stage and a short from the cost budget.
- Continue to monitor business progress of each portfolio and expense usage from 2Q onward.
- **SKU reduction :**
Selecting the number of SKUs to be reduced, and a list is being prepared to achieve the 30% reduction target.
- **Inventory reduction :**
Reduction of 5.0 billion yen from the same period of the previous year. Debt burden reduced. Secured Debt capacity for growth investment.
- **Hedge against foreign exchange risk :**
Forward exchange contracts were executed in response to the rapid depreciation of the yen.
- **Increased dividend by 2 yen to commemorate the 100th anniversary of the company's establishment, resulting in a dividend of 120 yen per share.**

Transform
the
earnings
structure

Revision of
Dividend
Forecast



Financial Result Highlights of FY 12/2024.1Q

Financial Result Highlights



(Unit: 0.1 billion JPY)

- Sales increased by 1.23 billion yen and Operating Income decreased by 0.55 billion yen from the PY.
- Overall sales were almost in line with the Forecast, although there were some fluctuations in sales by category. Operating Income was significantly higher in 1Q due to lower COGS and SG&A expenses.

	23.1Q Realized		24.1Q Forecast		24.1Q Realized		Comparison			
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	Diff VS PY	YoY	Diff VS Forecast	VS Forecast
Sales	408.1	100.0%	420.0	100.0%	420.4	100.0%	12.3	103.0%	0.4	100.1%
COGs	230.6	56.5%	247.4	58.9%	238.5	56.7%	7.8	103.4%	▲ 8.8	96.4%
Gross Profit	177.5	43.5%	172.5	41.1%	181.9	43.3%	4.4	102.5%	9.3	105.4%
SG&A Expenses	122.2	29.9%	144.5	34.4%	132.1	31.4%	9.9	108.1%	▲ 12.4	91.4%
Operating Income	55.3	13.6%	28.0	6.7%	49.7	11.8%	▲ 5.5	90.0%	21.7	177.8%
Ordinary profit	56.4	13.8%	29.0	6.9%	51.4	12.2%	▲ 4.9	91.2%	22.4	177.5%
Net Income attributable to owners of parent	38.8	9.5%	21.0	5.0%	35.3	8.4%	▲ 3.5	90.8%	14.3	168.1%

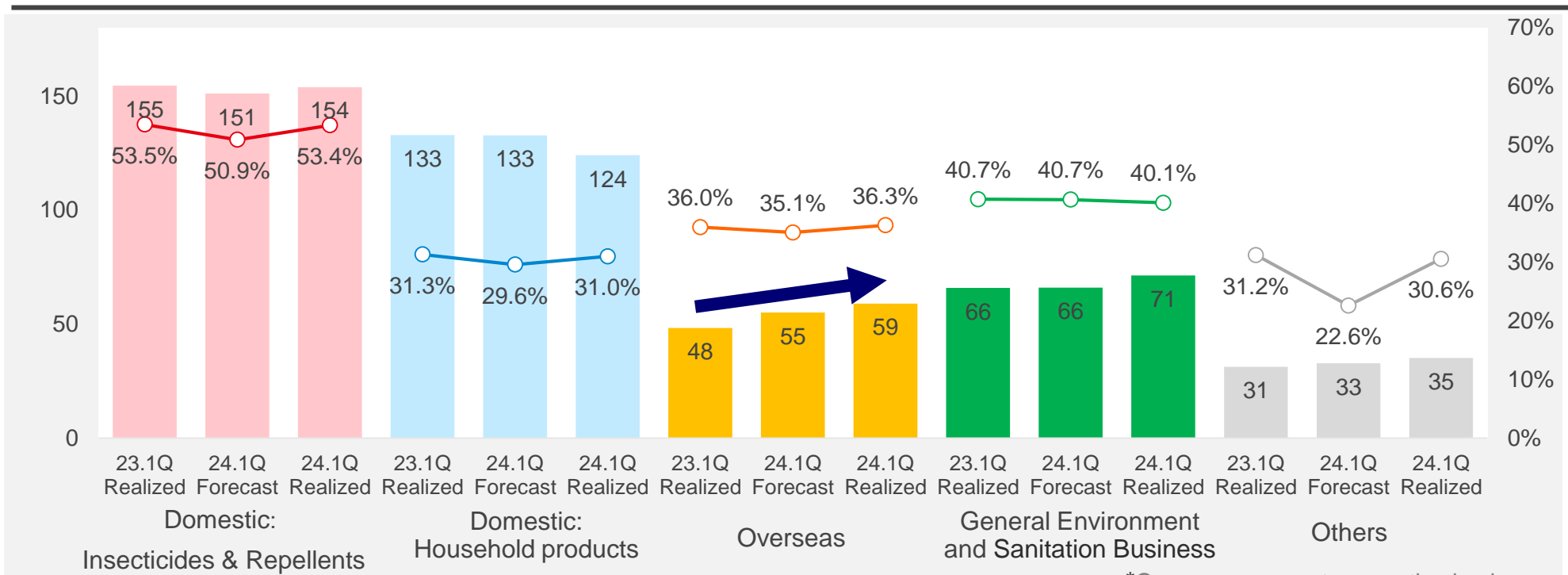
Management Accounting Basis: Sales / GPM (23vs24)



(Unit: 0.1 billion JPY)

- Domestic Insecticides & repellents : Flat YoY, in line with Forecast.
- Domestic Household products : Bath Salts and Oral Care fell short of the PY and Forecast.
- Overseas : Both ASEAN and China performed strongly in 1Q.
- General Environment and Sanitation Business : Continued stable growth.

Sales / GPM by Portfolio



Domestic: Insecticides & Repellents Business Status



- Market: Although the market started weakly at 89.6% YoY at the end of March, the market size at the end of March accounted for about 5% of the total market for the full year, and we will closely monitor the situation from April onward.
- Shipments: Strong sales of products for cockroaches and other nuisance pests, partly due to the contribution of new products; Price Revisions Products were largely in line with expectations.

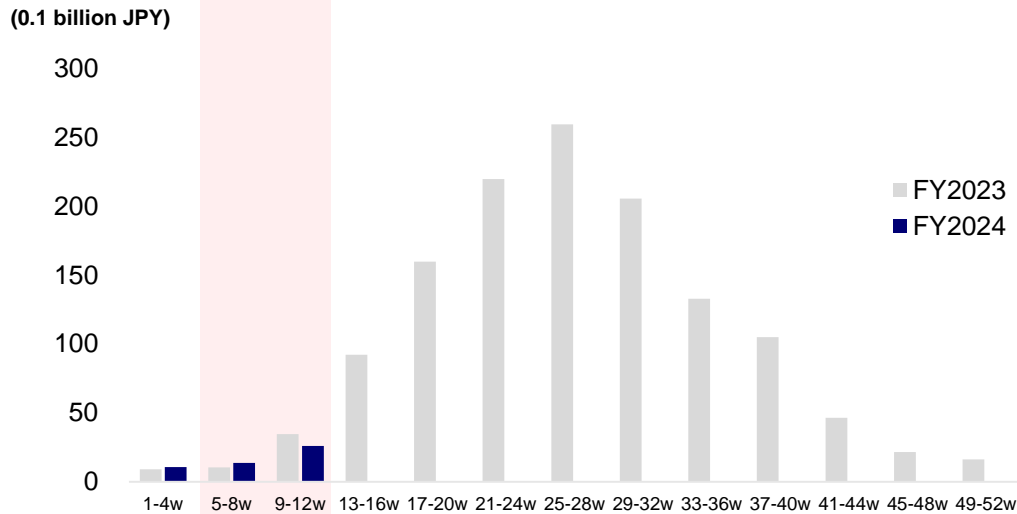
Market situation at the end of Mar, our Market share

【Market size (YoY)】

89.6%

【Earth Corp.】

59.2%



Focused New Products Trends

Gokishu !

【VS Forecast】
142%

Price Revisions Products (Total 59SKU) Trends

【YoY】

+ 0.32 billion Yen

【VS Forecast】

+ 0.07 billion yen

Domestic: The Household Products Business Status

- Intensifying competition in Bath Salts and Oral Care, resulting in a decline in market share.
- Considering renewal of category strategies and reallocation of marketing investments to strengthen brand power as stated in the Mid-term Business Plan.

Bath Salts

【Market size (YoY)】

102.6%

【Earth Corp.】

44.8%

Trends in Core Products

- ONPO

Vs. forecast **93%**



- KIKIYU

Vs. forecast **75%**



Oral Care

【Market size (YoY)】

102.0%

【Earth Corp.(Mouthwash)】

18.0%

Trends in Core Products

- MONDAHMIN (regular)

Vs. forecast **93%**

- PREMIUM CARE

Vs. forecast **75%**



Overseas: Business Status (ASEAN)



(Unit: 0.1 billion JPY)

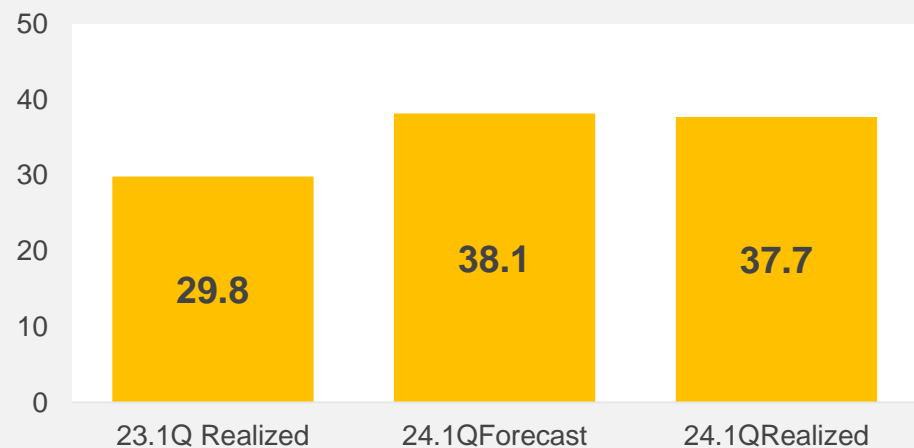
ASEAN Core Area (Thailand & Vietnam)

Thailand

- Sales expansion in each domestic channel
- Depot expansion to cultivate the OP-T market, contributing to an increase in market share and number of deliveries.
- "ARS Mos shooter" Preparing for launch at the end of July.

Vietnam

- Achieved sales growth of GT +10%, MT +33%, contributed to growth of household detergents and Insecticides & Repellents, as well as the launch of a new clothing detergent product.
- Stabilize product selling prices and improve sales promotion efficiency by reviewing in-store sales promotion measures.



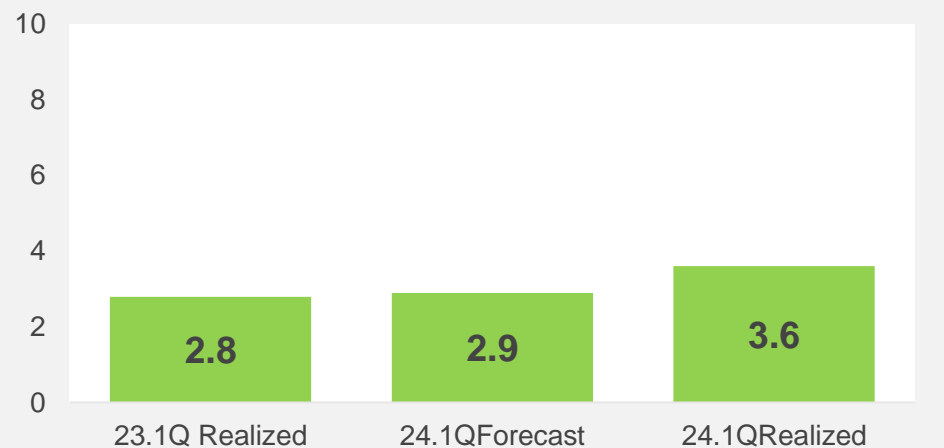
ASEAN Expansion Area (Malaysia & The Philippines)

Malaysia

- Successful implementation of sales promotion measures led to substantial achievement of 1Q sales plan and narrowing of deficit.
- Further sales expansion through the introduction of new products as needed from 2Q onward.

Philippines

- Profitability improves as sales increase due to launch of highly profitable new products.
- Expanding distributor network and developing local B to B channels to build sales channels.



Overseas: Business Status (China & Cross-border)



(Unit: 0.1 billion JPY)

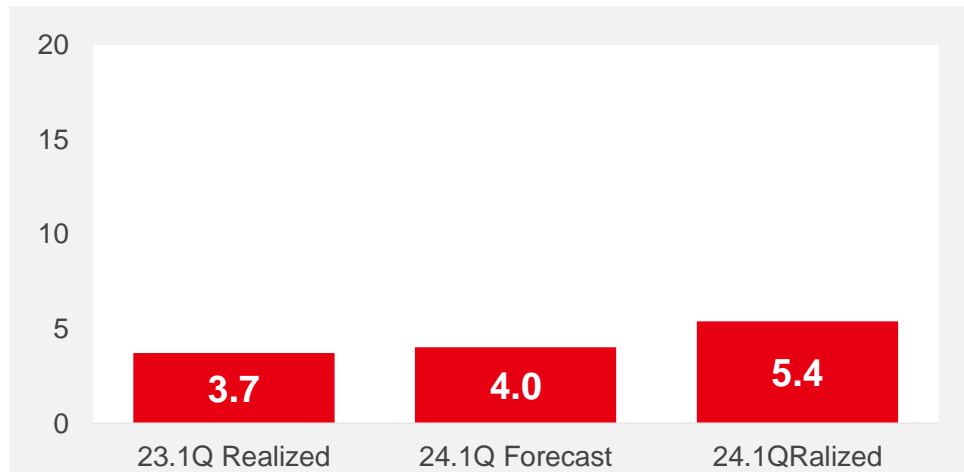
China

Locally

- Shift in strategy to expand sales in real stores.
- Achieved +30% sales growth in 1Q.
- Established priority items in Insecticides & Repellents products to promote distribution to the real market.

Cross-border

- Sales declined in reaction to the special demand in 1Q of the PY.
- Expansion of daily necessities such as Insect repellents for clothes and air fresheners.



Cross border business

ME

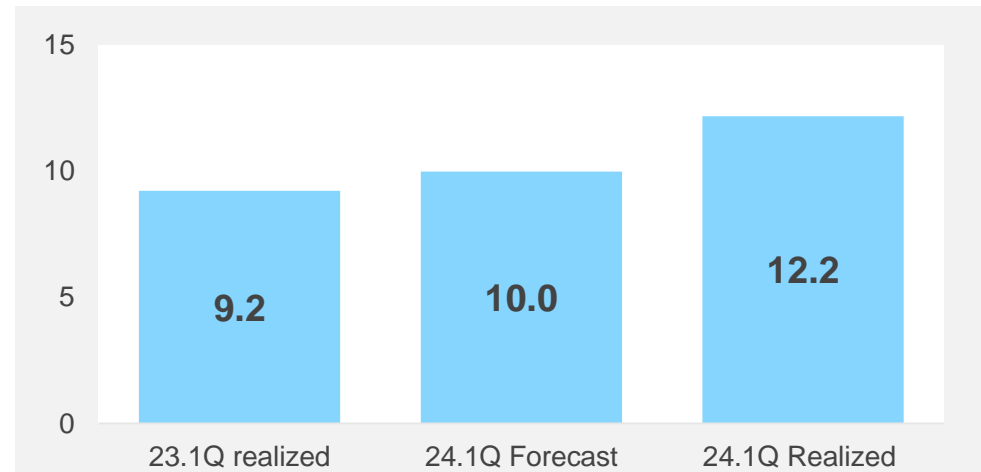
- Expanding Insecticides & Repellents.
- Continued strong performance from the PY, with contributions from the introduction of new products in addition to the prior introduction of core products.

Hong Kong

- Mainly Insecticides & Repellents , Insect repellents and dehumidifiers.
- Revenues recovered from the PY's decline and achieved a significant increase in 1Q.

Taiwan

- Mainly developing Insecticides & Repellents.
- Stable sales growth with products that have gained brand recognition, such as fly and cockroach poison bait.

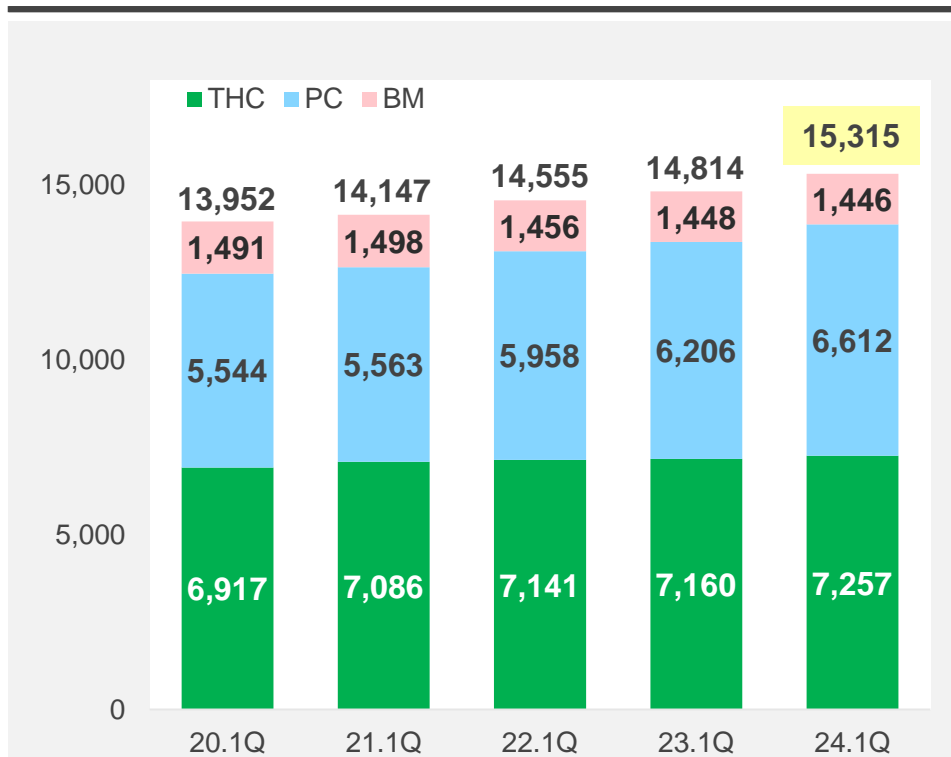


General Environment and Sanitation Business : Business Status



- Steady growth in the number of contracts with increasing demand for high-quality hygiene management services, especially in food-related and pharmaceutical-related industries (+501 contracts YoY).

General Environment and Sanitation Business –
Trend in Annual Contract Numbers



General Environment and Sanitation Business
Main Initiatives

- Initiatives for expansion into the regenerative medicine industry.**
- Strengthen auditing and consulting services related to food safety management.**
- Promotion of DX**
Promote development of software that will help solve labor shortages and applications that can provide value to customers at the systems subsidiary.

Operating Income Change Factors (vs. Forecast)

(Unit: 0.1 billion JPY)

- Raw material price hikes remained within the scope of the initial forecast.
- Operating Income was significantly higher due to conservative estimation of COGS impact and unrealized expense budget as of 1Q.
- Expenses are expected to be fully offset from 2Q onward.

OI Decrease Factors (▲0.9)

OI Increase Factors (+22.7)

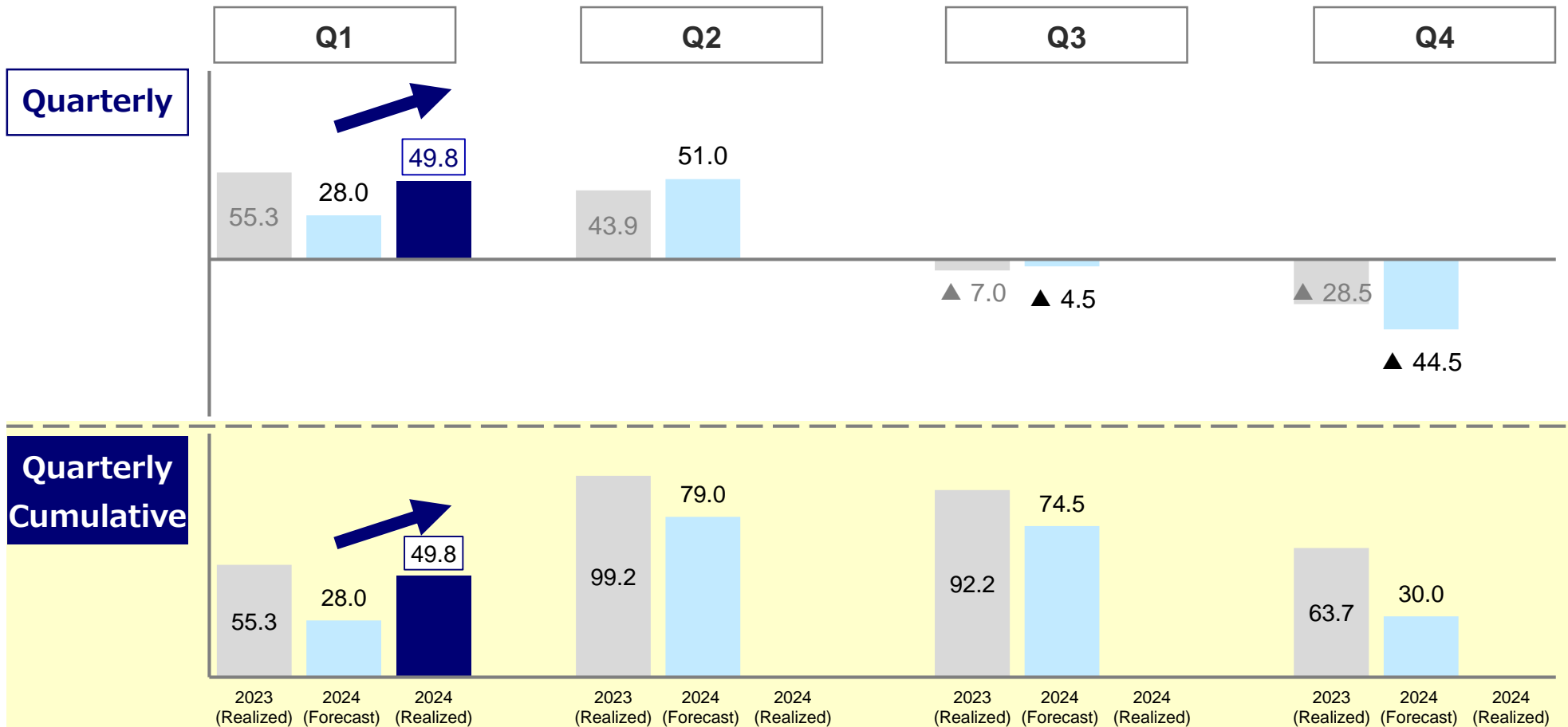


Progress Toward The Operating Income Target (Quarterly / Cumulative)



(Unit: 0.1 billion JPY)

- The upward revision of the 1Q profit target was due to a conservative COGS estimation and an expense budget bias toward the first half of the fiscal year.
- Weather risk in Insecticides & Repellents , severe business environment in Household Products, and other factors will continue to be monitored closely in 2Q and beyond.



Earth Group's Medium-to-long-term Concept

SLOGAN

Our Group Working Together
Toward a Bright Tomorrow for EARTH



2021 2022 2023 2024 2025 2026 2027 2028 ...

COMPASS 2023

COMPASS 2026

Next MTBP

Transform the earnings structure & build a framework

Drive sales: Overseas

Drive revenue: Domestic

Expand Profit
Foundation in
Asia

Generate Cost
Synergies

Grow
market
share

Cultivate
markets

Review
businesses

Shift the
business
portfolio

Optimize
release
allocation

Enhance global expansion

ESG / Open
Innovation

Reform
Corporate
Compass &
Infrastructure

Nurture a second revenue
pillar after Insecticides &
Repellents

Build a foundation: Group

Enhance oversight of
Overseas/Group companies

Enhance M&A capabilities

Enhance investment
profitability

Maximize Group
sales & profits

Build a
foundation for
diverse business
development

Group
restructuring &
enhanced profit
structure

Operating Income
Margin

Progress Toward The Profitability Structural Transformation



- **SKU reduction :**
 - ▶ As part of the category strategy renewal, selecting the number of SKUs to be reduced.
 - ▶ List is being prepared to achieve the 30% reduction target.
- **Cash efficiency improvement due to inventory reduction**
 - ▶ Inventory reduction from the second half of the previous year and renewal of the core system resulted in a significant inventory reduction of 5.0 billion yen YoY as of 1Q.
 - ▶ Debt burden was reduced by 4.0 billion yen, securing debt capacity for investment in growth.
- **Hedge against foreign exchange risk**
 - ▶ Hedged against downside risk of profit by using foreign exchange forward contracts in response to the rapid depreciation of the yen.

2024: Plan Highlights



- No change from the figures announced on February 13, 2024.
- One-time expenses incurred in promoting structural reforms, aggressive investment in human resources, and aggressive investment in focused categories. (Bath Salts and Oral Care, which will be the next revenue sources)

(Unit: 0.1 billion JPY)

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



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.