



Additional Earnings Briefing Materials for 2Q of the Fiscal Year Ending December 2024

08/21/2024

Earth Corporation

Agenda



- **Financial Result Highlights of 2Q FY 12/2024**
- **Progress in MTBP / Initiatives in 2H**
- **FY 12/2024 Results Forecast**



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**Financial Result Highlights
of 2Q FY 12/2024**

Financial Result Highlights



(Unit: 0.1 billion JPY)

- Increase in sales and income.
- Sales overperformance vs. the forecast coupled with ① COGS ratio and ② SG&A overperformance allowed the Earth Corporation to reach its income targets.
- Delays in the use of sales promotion expenses, leftover disposal-related costs, and the carryover of fixed SG&A expenses. We expect to incur these costs in 2H.

	23.2Q Realized		24.2Q Forecast		24.2Q Realized		Comparison			
	Amount	% Sales	Amount	% Sales	Amount	% Sales	YoY	YoY (%)	vs. Forecast	vs. Forecast (%)
Sales	903.2	100.0%	947.0	100.0%	970.9	100.0%	67.6	107.5%	23.9	102.5%
COGS	513.4	56.8%	546.4	① 57.7%	556.9	57.4%	43.4	108.5%	10.5	101.9%
Gross Profit	389.8	43.2%	400.5	42.3%	413.9	42.6%	24.1	106.2%	13.4	103.4%
SG&A	290.6	32.2%	321.5	34.0%	306.4	31.6%	15.8	105.4%	- 15.1	② 95.3%
Operating Income	99.2	11.0%	79.0	8.3%	107.5	11.1%	8.3	108.4%	28.5	136.2%
Ordinary Income	104.2	11.5%	82.0	8.7%	113.3	11.7%	9.1	108.8%	31.3	138.3%
Net Income attributable to owners of parent	70.4	7.8%	54.5	5.8%	76.4	7.9%	6.0	108.6%	21.9	140.3%

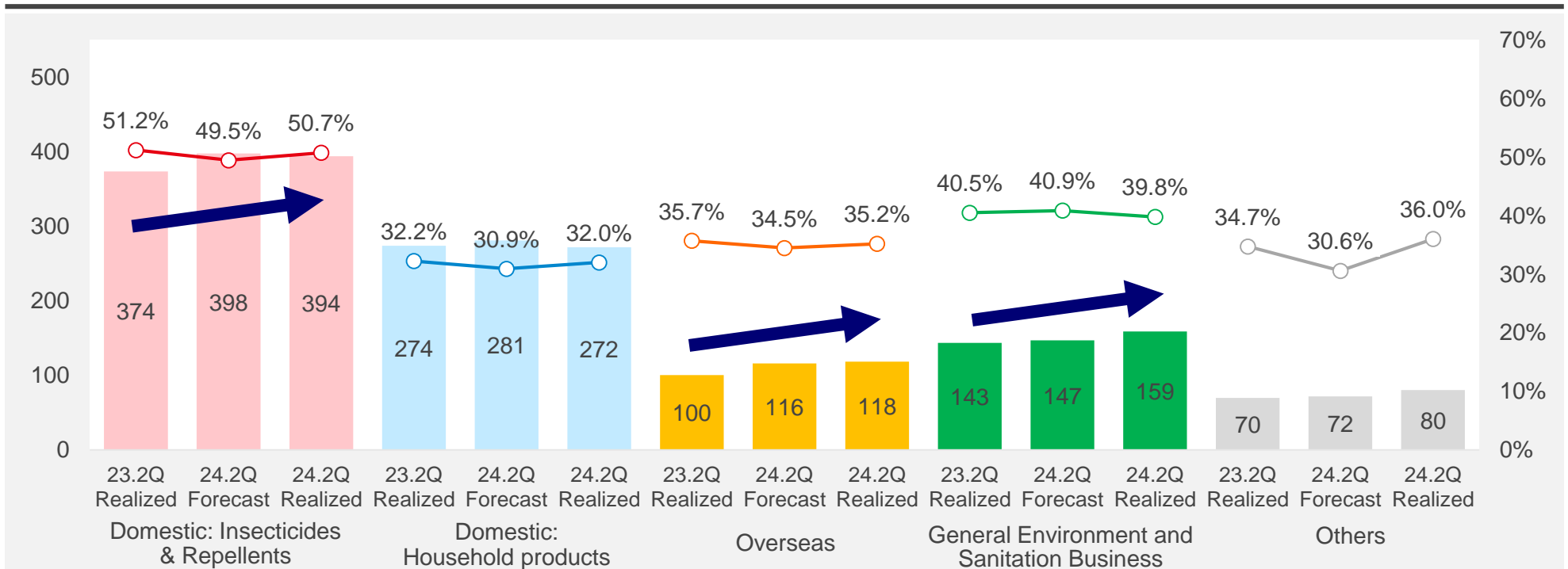
Management Accounting Basis: Sales / GPM (2023 vs. 2024)



(Unit: 0.1 billion JPY)

- Domestic - Insecticides & Repellents: Sales mostly in line w/ the forecast while profit margin exceeded expectations.
- Domestic - Household products: Sales of bath salts & oral hygiene products didn't meet the forecast.
- Overseas: Strong results in ASEAN and China.
- General Environment and Sanitation Business: Strong results thanks to growth in contract numbers/amount.

Sales / GPM by Portfolio

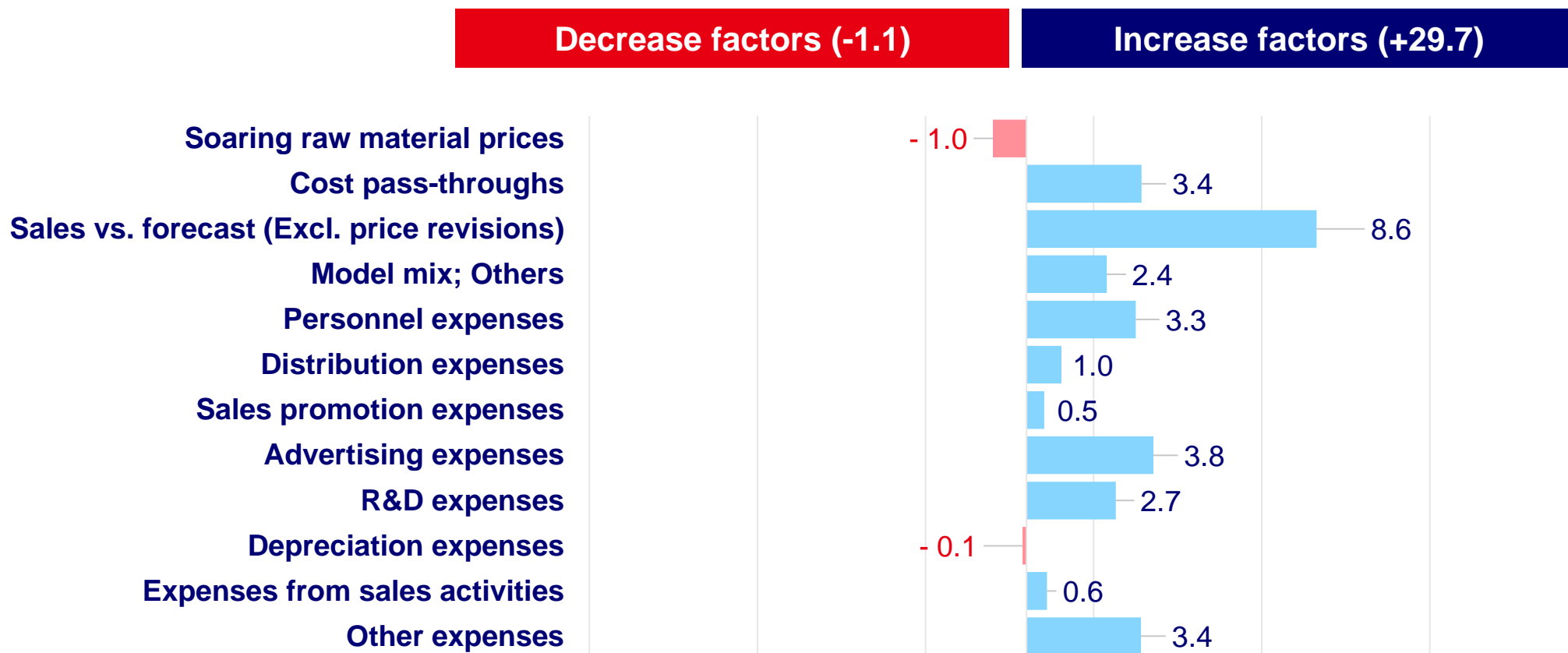


Operating Income Change Factors (Vs. Forecast)



- As of 2Q, we have been able to offset the negative impact of soaring raw material prices through the execution of price revisions.
- We met our sales target, leading to an increase in gross profit. SG&A was also lower than expected and some of these expenses carried over due to the cutoff timing, leading to significant profit growth.

(Unit: 0.1 billion JPY)

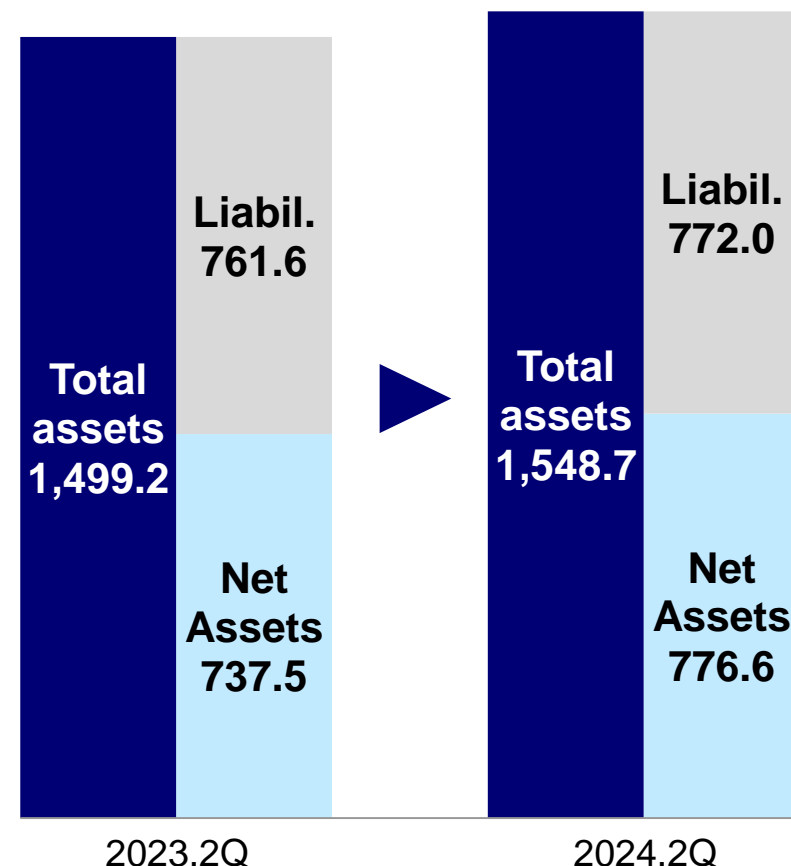


Consolidated: Balance Sheet

(Unit: 0.1 billion JPY)

- ① Inventories (-4.3 B JPY): Benefits from inventory optimization starting in 2H LFY.
- ② Borrowings (-3.7 B JPY): Inventory optimization led to lower cash requirements.

	2023.2Q	2024.2Q	Change
Total assets	1,499.2	1,548.7	+49.4
Cash & deposits	187.2	236.0	+48.7
Trade receivables	381.1	394.0	+12.8
Inventories	336.4	293.4	-43.0 ①
Property, plant, & equipment	311.4	314.5	+3.0
Intangible assets	80.5	87.7	+7.1
Investment & other assets	176.0	195.1	+19.0
Liabilities	761.6	772.0	+10.3
Trade payables	383.0	413.4	+30.3
Borrowings	107.2	70.0	-37.2 ②
Net assets	737.5	776.6	+39.0
Equity ratio	45.7%	46.6%	+0.9pt





Earth Corporation

Progress in MTBP / Initiatives in 2H

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
resource
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

Build a
foundation for
diverse business
development

Group
restructuring &
enhanced profit
structure

Maximize Group
sales & profits

Operating Income
Margin

Progress in Earnings Structure Transformation



- Steady progress in the execution of reform initiatives to the earnings structure.
- While some efforts are already starting to bear fruit, we expect the bulk of the benefits to materialize in FY 12/2025 and beyond.

Initiatives

- Active investment in bath salts & oral hygiene products.
- Optimize marketing costs.

- Concentrate on core brands & SKUs.

- Enhance manufacturing/sales integration.
(Supply chain structural transformation)

Progress & Future initiatives

- In light of a challenging 1H, Earth is now working on a recovery in 2H.
- Allocate a larger share of marketing resources to household products and execute initiatives to enhance our brand/sales.

- Good progress in reduction of SKU numbers.
- Further room to concentrate on core brands.

- CF improvements from inventory optimization carried out in 2H 2023.
- We expect further cash efficiency improvements from more granular supply/demand adjustments.

Offensive & Defensive Structural Transformation

~Future Initiatives~



- Two-pronged structural transformation combining Offense = future growth and Defense = improve operational efficiency.
- Discussions toward Group restructuring are proceeding as planned. We expect to share further details in 3Q.

Offensive Structural Transformation

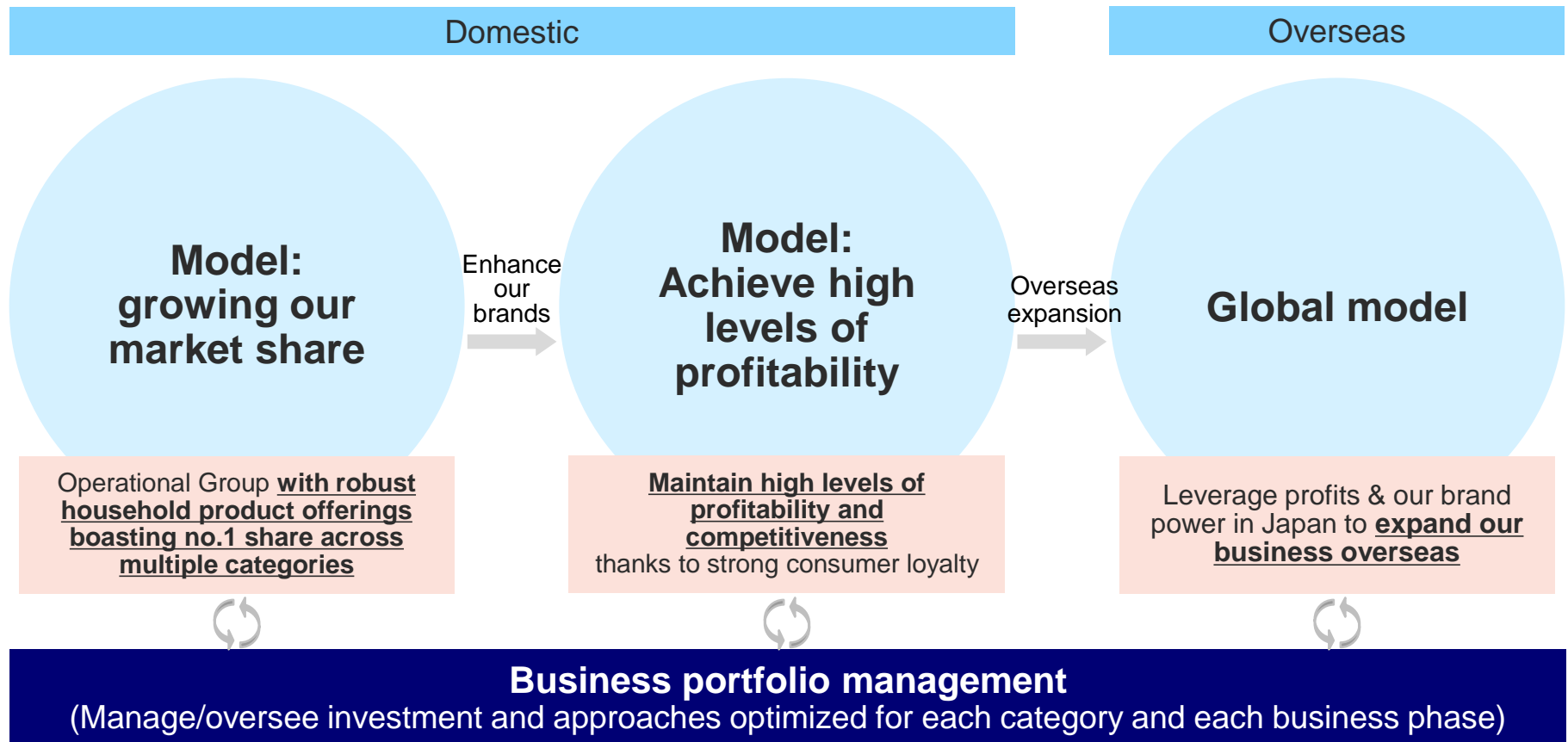
- Comprehensive overhaul of pricing policy (price reflecting value) toward further profit expansion.
- Review supply/demand & sales policies for Insecticides & Repellents/Household products to reduce product returns/disposal.
- Reorganize our business portfolio to focus on domestic & overseas operations, General Environment and Sanitation, and MA-T.
- Active financial strategy and use of M&A.

Defensive Structural Transformation

- Project teams to oversee reorganization:
→ Discussions toward Group restructuring are ongoing.
- Reduce low-profitability assets/brands.
- Enhance global governance:
 - Create Global Production Strategy Division.
 - Enhance the management/oversight structure overseas.
- Promote use of M&A & enhance oversight of investment profitability.
- Reduce inventories to improve cash flow.

Goal of Structural Transformation

- The Earth Group will work to expand its market share, enhance our brands to achieve profitability improvements, and accelerate growth through overseas expansion – with the goal of further enhancing our value and competitiveness.



Portfolio Targets

- Our current portfolio is overly dependent on insecticides & repellents in Japan.
- Going forward, we seek to grow revenue/profits through a portfolio grounded on the 4 pillars of: domestic and overseas operations, the General Environment and Sanitation business, and MA-T-related.

Domestic



Achieve No.1 market share in:

- Insecticides & repellents
- Bath salts
- Repellents for clothing



Secure profits by growing our market presence in:

- Mouthwashes
- Air fresheners
- Non-surgical face masks



Growth categories:

- Gardening products
- Pet supplies

Overseas



Achieve No.2 position in the global market for insecticides & repellents.



Expansion strategy focused on 24 countries (including regional subsidiaries and exports).



Nurture global brands in:

- Insecticides & repellents
- Oral hygiene
- Air fresheners

General Environment and Sanitation



Put in place a 3-pronged framework consisting of R&D capabilities, training, and expertise.



Further improve our Environment Doctor service, offering quality assurance support to our clients.



Offer services in new domains and shift to a business foundation capable of supporting sustained growth.

MA-T



Secure stable profits/revenue through MA-T-based solutions.



Build a business model through license PF.



Real-world implementation of MA-T® technology to provide solutions to social problems.

Initiatives in 2H | Bringing a New Product to Market (Insecticides & Repellents)

- Speedy release of new product to combat the ongoing “super” bed bug epidemic.
- Earth will be releasing a new product this fall to capture rising demand for insecticides & repellents in the fall/winter season. We will work to reduce seasonal sales variance by offering products covering different seasons and securing sales space throughout the year.



The advertisement features a bright yellow background with radiating light rays. A blue starburst in the top left corner contains the word 'New'. The central focus is a product package for 'Zero Night' (ゼロナイト) insecticide. The package is primarily red and white, with a shield-shaped graphic. Text on the package includes 'ゴキブリ 駆除' (Cockroach extermination), 'アース ゼロナイト 1プッシュ式スプレー' (Earth Zero Night 1-push spray), and '1年に1度は徹底ケア' (Thorough care once a year). A red circular badge says '空間・すき間にプッシュするだけ!' (Just push into the space and crevices!). Another badge states '日本唯一 スーパー(抵抗性)トコシラミにはコレ!' (The only one in Japan for super-resistant bed bugs!). The package also mentions 'アース史上効果最長' (Longest effectiveness in Earth's history) and '虫暴れゼロで駆除' (Extermination with zero pest outbreaks). A small box at the bottom right of the package says '約60分' (Approx. 60 minutes). To the right of the package, three bullet points in blue text highlight the product's benefits. A white box at the bottom right contains the text 'Quasi-pharmaceutical product for prevention or extermination'.

- Single application once a year offers full protection (Longest lasting of Earth's product lineup)
- Much more effective than traditional insecticide products against insecticide-resistant cockroaches and super bed bugs!
- Just spray it into spaces and crevices!

Quasi-pharmaceutical product for prevention or extermination

Initiatives in 2H | Recovery in the Household Product Category

- Raise the sales & profit baseline by releasing new & thematic products outside the scope of the planned release schedule for FY 12/2024.
- Dedicate more marketing resources to this category, including through the execution of new communication initiatives.

Bath salts



Oral Hygiene Products (Mouthwashes)



Initiatives in 2H | Additional Cost Pass-Throughs

- Price revisions to our product lineup of Sukki-ri! brand air fresheners (total of 53 SKUs), with the objective of improving profitability.
- Enhance sales efforts through, for example, the use of TV commercials to underscore these products' value proposition, making for a smoother transition to the new price regime.

Examples of target SKUs



Sukki-ri! toilet air fresheners

Sukki-ri! room air fresheners

Sukki-ri air! toilet sprays



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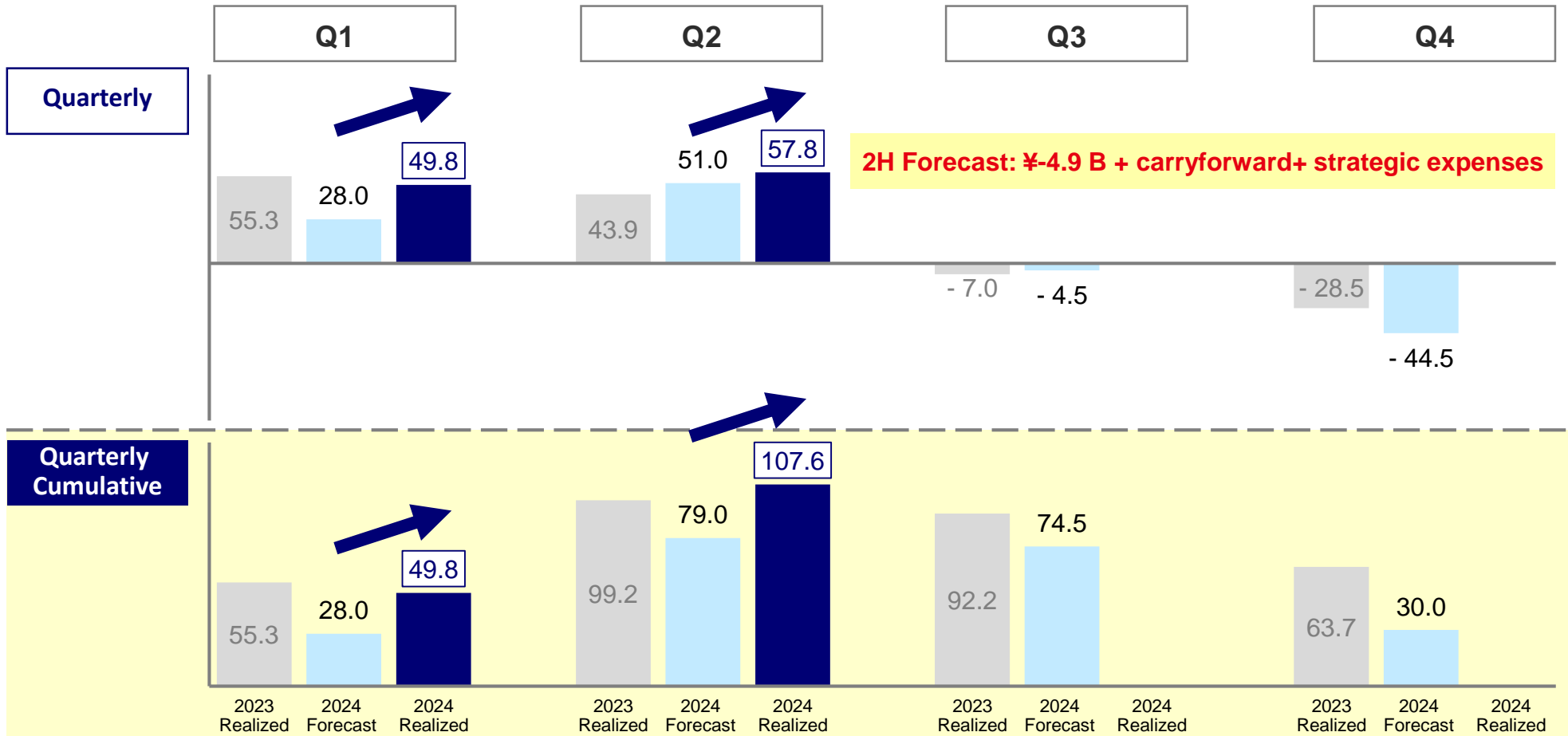
FY 12/2024 Results Forecast

Progress Vs. OI Target (Quarterly/Cumulative)



- We do expect an overperformance for 2H, as well, but we face challenges from:
 - ① weather-related risk factors,
 - ② higher COGS than expected,
 - ③ recording of expenses not used in 1H. Additionally, we will also consider the strategic deployment of
 - ④ sales promotion/advertising resources.

(Unit: 0.1 billion JPY)



2024 Results Forecast



- While we are hopeful for a year-end results overperformance, the forecast targets disclosed 02/13/2024 remain unchanged.
- Earth Corp. is evaluating various factors/risk scenarios and will aim for transparent disclosure.

(Unit: 0.1 billion JPY)

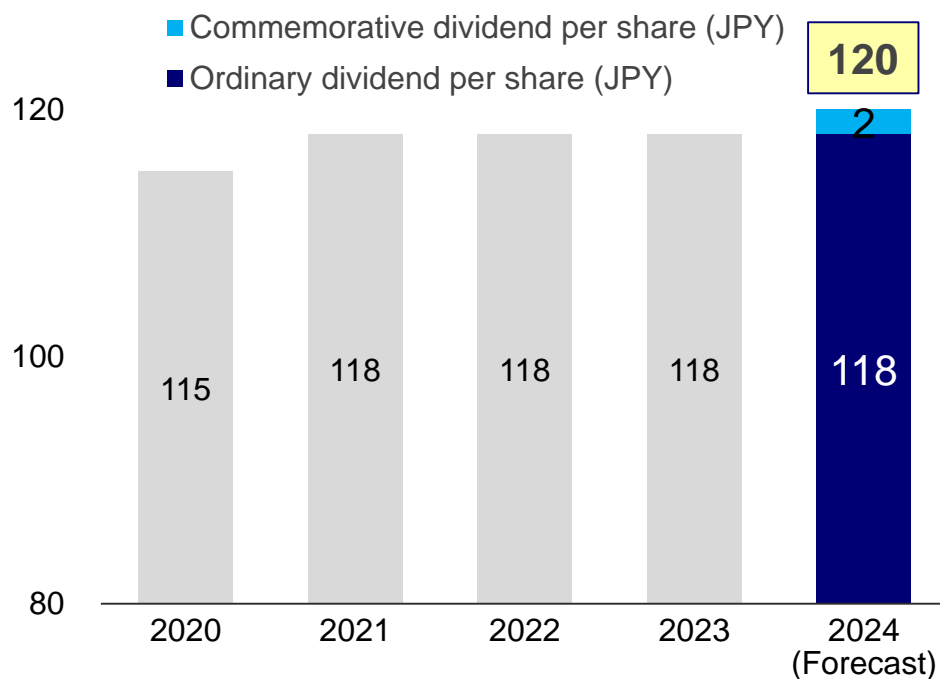
	2024 Forecast	Topics	2023 Realized
Sales	1,650	<ul style="list-style-type: none"> • We forecast sales growth in all 5 classifications within management accounting. • Plans to execute price revisions in Insecticides & Repellents in Japan this fiscal year, as well. 	1,583
Gross Profit	658.3	<ul style="list-style-type: 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	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 brand incubation investment. 	572.5
Operating Income	30.0	<ul style="list-style-type: none"> • Temporary decrease in OI due to structural transformation. 	63.7
Net Income attributable to owners of parent	17.9	<ul style="list-style-type: none"> • Non-operating income & expenses expected to be in line with LFY. • We don't expect any major extraordinary income/loss items. 	41.0
ROE	2.7%	<ul style="list-style-type: none"> • Due to a temporary decrease in profitability. 	6.3%

Shareholder Returns

- Shareholder Returns Policy: Stable dividend distribution with a DOE target of around 4%. Consider an agile approach to dividend raises and share buybacks.
- 2024 dividend target: 120 JPY/share (incl. a 2 JPY/share commemorative dividend).
- Completed share buyback: 2.0 B JPY; 417,000 shares; 1.9% of shares outstanding.

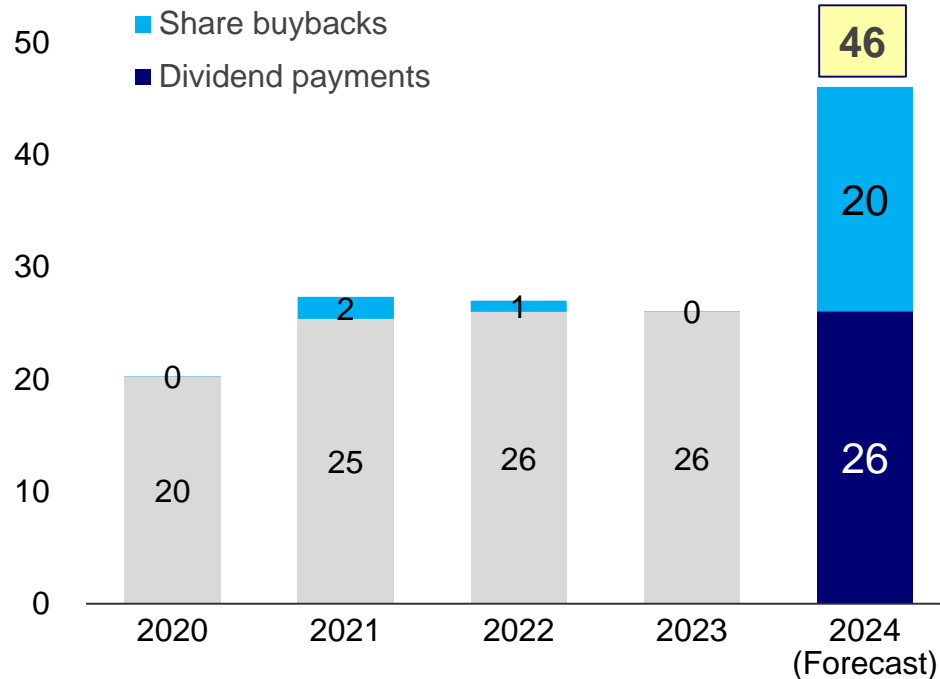
Ordinary dividend per share - trend

(Unit: JPY)



Total returns (Dividends + share buybacks)

(Unit: 0.1 B JPY)





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.