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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

Good afternoon everyone.

My name is Katsunori Kawabata, Representative Director, President and CEO at the Earth Corporation.

Thank you for taking the time off your busy schedules to attend today's presentation and also despite the weather.

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Earth Corporation Financial Result Highlights of 2Q FY 12/2024

On August 9th, the Company announced its consolidated financial results for the six months ended June 30th, 2024, and I would like to use this opportunity today to go over these figures, together with the outlook going forward, and the current state of things at this stage as of the end of August, in the third quarter.

Additionally, over the years, we have mentioned MA-T as a technology that we expect will play a pivotal role for the Earth Corporation over the medium to long term.

We are carrying out extensive changes on this front in terms of our portfolio composition, and while we have indeed discussed this with stakeholders, we feel we perhaps haven't been able to convey the specifics.

As such, today, we want to rectify this and discuss the positive impacts of MA-T on Earth's operations going forward, as well as the kinds of initiatives related to MA-T we have in mind.

We would like to earn stakeholders' understanding and support in the execution of these strategies, and it is to this end that we have set aside the latter part of today's event to cover our efforts related to MA-T.

We therefore invite you to join us.

Financial Result Highlights

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(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%	② - 15.1	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%

Let us now start with the financial result highlights.

The figures are as announced on August 9th, starting with sales and going over each income line item, and we have highlighted here with the red border the items of cost of goods sold and SG&A expenses.

Overall, as of the end of the second quarter, we have posted a performance exceeding Company forecasts.

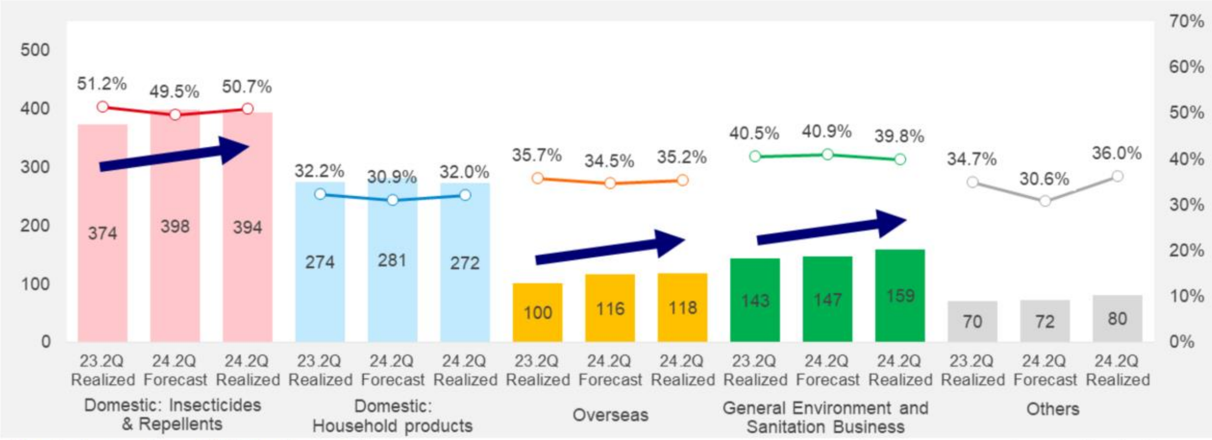
Regarding the fixed SG&A expenses carried over into the second half, we will be going over the details in a moment.

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



*On a management accounting basis. Consolidated adjustments, e.g., internal eliminations not included.

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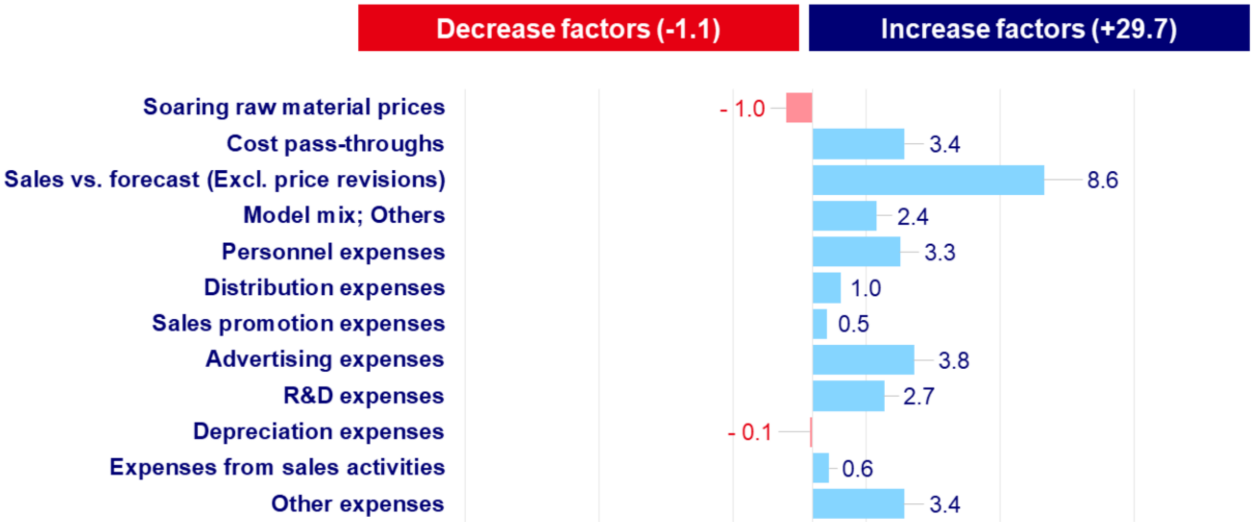
Under this management accounting basis, we divide things into the segments of: Domestic Insecticides & Repellents, Overseas, the General Environment and Sanitation Business, Domestic Household Products, and others.

While we are seeing some sluggishness for some of our lineups in the category of Domestic Household Products, some have received a sales boost from favorable weather conditions, and we have also been able to grow sales for others by capturing consumer demand, so, all in all, things are going well.

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)



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Next are the operating income change factors, which have come in within Company forecasts.

Circling back to what I said earlier, part of SG&A expenses did carry over, but, for the most part, expenses have fallen within their respective accounting period.

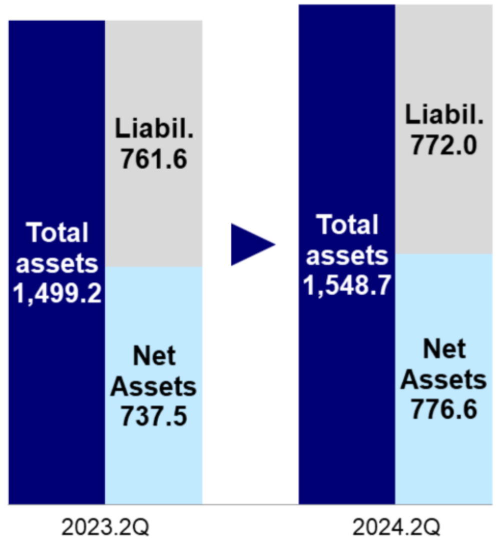
Consolidated: Balance Sheet

(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**



Next is the consolidated balance sheet, which is a very important aspect within the Company's Medium-Term Business Plan.

The idea is to aim to return to the state when things were at their best.

In the past, we weren't fully able to meet client demand, as some of our clients - including large accounts - ended up experiencing product shortages.

We then tried growing inventories in order to counterbalance this, together with various other strategies, but ultimately, our goal is that of maintaining a lean structure, so we have made great progress in inventory optimization, led by SCM headquarters.

In other words, our efforts to reform our corporate compass — as stated in the Medium-Term Business Plan — are now bearing fruit.

This reduction in inventories naturally leads to lower borrowing requirements, and this structure has had a very positive impact on our operations from a cash-generating perspective.

I will be going over the details in a moment, but we have identified the need to implement a number of initiatives, so we will be putting some cash aside so that it can be deployed whenever necessary.

A structure allowing us to do this is now in place.

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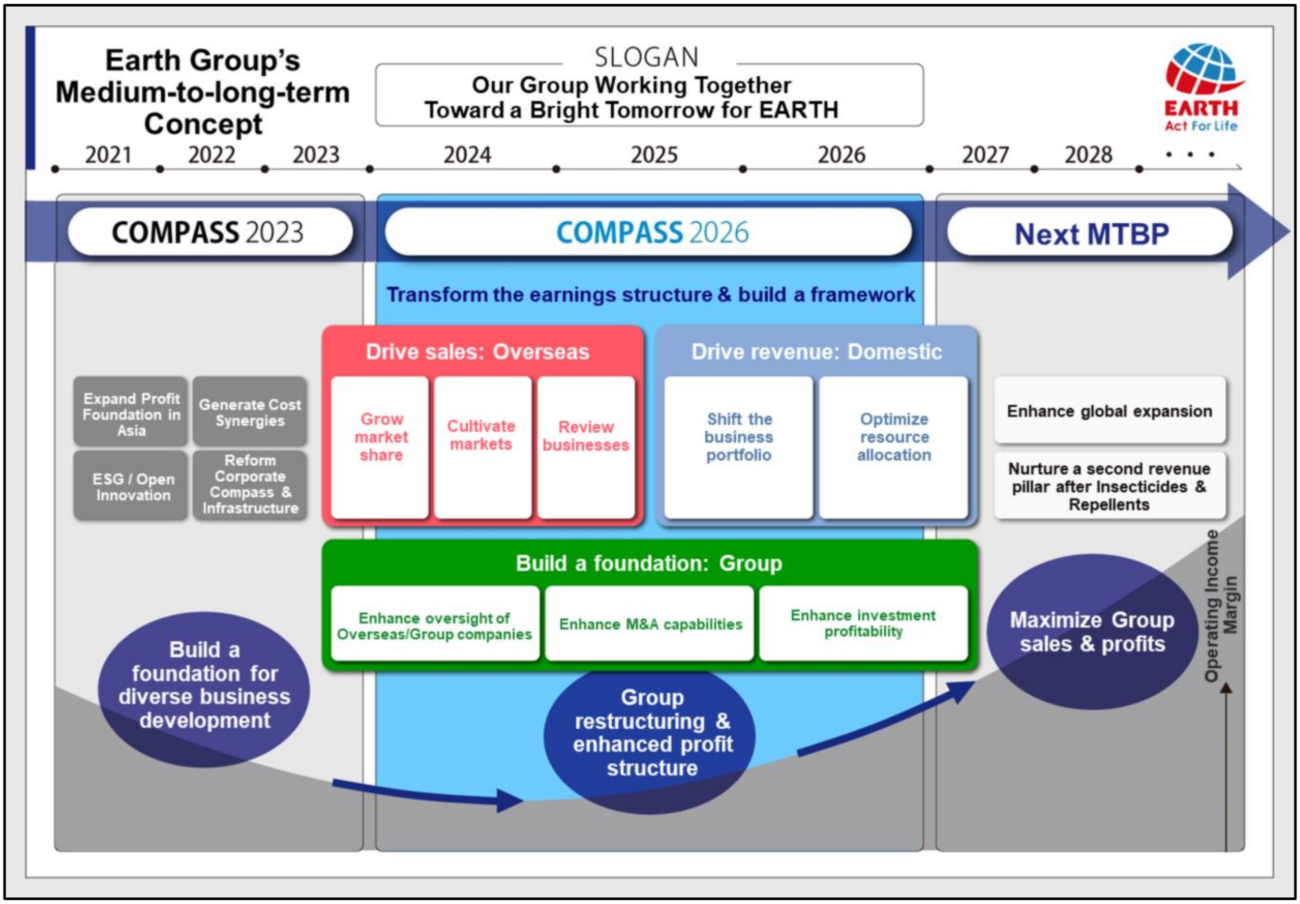
Progress in MTBP / Initiatives in 2H

I would now like to go over the initiatives in the second half.



The diagram on page 8 covers our efforts for the three-year period that comprises the COMPASS 2026 Medium-Term Business Plan — between 2023 and 2027.

Fiscal year 2024 is therefore the first year within the scope of the ongoing Medium-Term Business Plan.

As we have mentioned in the past already, for example, we have plans to reduce the number of SKUs to focus on our core competencies

Also, looking at our Group's overall structure, over the years, we had been careful in driving our operations and in making sure we stayed the course without any abrupt changes.

That said, the current market climate is one of soaring raw material prices and other headwinds, so the idea over this three-year period is to restructure the Earth Group and its framework.

We are making steady progress on this front, as we will be discussing in a moment.

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	Progress & Future initiatives
• Active investment in bath salts & oral hygiene products. • Optimize marketing costs.	• 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.
• Concentrate on core brands & SKUs.	• Good progress in reduction of SKU numbers. • Further room to concentrate on core brands.
• Enhance manufacturing/sales integration. (Supply chain structural transformation)	• CF improvements from inventory optimization carried out in 2H 2023. • We expect further cash efficiency improvements from more granular supply/demand adjustments.

Next is a progress update as it relates to the transformation of our earnings structure.

Our first initiatives here are active investment in bath salts and oral hygiene products and optimizing marketing costs.

Unlike with insecticides & repellents, our lineup of bath salt products spans the Earth Corporation, BATHCLIN, and Hakugen Earth.

The Earth Group is the number one player in terms of market share, but we feel there’s room for further coordination and cooperation on this front by our 3 Group companies, which so far have each operated on their own to some extent.

This independence has its benefits as well as its drawbacks, so we will be addressing and optimizing this.

Regarding oral hygiene products, we released the Mondahmin brand of mouthwashes over 3 decades ago, so it’s experiencing some headwinds in terms of consumer age demographics, hence the need for us to make changes and revamp this product.

Another initiative consists of concentrating on core brands and SKUs.

More specifically, we have announced our plans toward an overall reduction of 30%, and we are currently in the process of executing these changes.

Lastly, we are in the process of carrying out structural transformation at the supply chain level.

As I mentioned earlier when discussing our balance sheet, we are working to optimize inventories, including work-in-process inventories.

Optimizing inventories means an improvement to our ability to generate cash, but one potential risk here is product shortages resulting from this strategy, in light of the fact that many of these products have a strong seasonal component.

This was the sort of dilemma we faced in the past, but we now have in place a system allowing us to leverage the best of both worlds, so to speak, so we will be further enhancing this structure.

We believe these efforts will lead to significant improvements to cash flows.

As of the end of the second quarter, insecticides & repellents have the lead due to seasonal demand, which has been compounded this year by favorable weather conditions.

Insecticides & repellents have been selling well, and this trend remains true as of today in the month of August — better even than anticipated.

As such, we are considering allocating a larger share of marketing expenses in the second half to the category of household products.

This year and the next, we will be reducing the number of SKUs in the category of insecticides & repellents.

Reducing SKUs means product disposals, which, in turn, cost money, as does asking retailers to sell these products at a lower price to move the merchandise.

As such, we want to communicate to stakeholders the need to incur these expenses this year; although this will be done together with a reduction in SKUs.

We are currently making progress toward this end in insecticides & repellents, but thankfully, weather conditions have been very favorable this year, and this extra boost has allowed us to offset into gross profit the costs associated with SKU reductions.

Consequently, we are making progress on this front, but without having to endure as much pain as we had initially expected in the context of these SKU reductions, so these have been good developments.

In the second half and into next fiscal year, we will continue efforts regarding products offered year-round, also within the context of Group restructuring.

As it stands, these efforts are about 30% complete, so we will continue working on the remaining 70%.

Offensive & Defensive Structural Transformation ～Future Initiatives～

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- 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.**

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Our approach to structural transformation includes both an offensive and defensive component.

Over the past three years, the Earth Group has been negatively impacted to the tune of approximately 6 billion yen from cost increases resulting from soaring raw material prices.

We have fought off these headwinds and have succeeded in reducing costs by approximately 1.5 billion yen.

This delta therefore stands at around 4.5 billion yen, of which approximately 2.8 billion yen we have been able to pass on to the consumer through price increases.

We therefore expect to carry out further cost pass-throughs to the tune of between 1.2 to 1.4 billion yen next year.

Once these are complete, we will have offset these price headwinds.

Cost pass-throughs don’t happen overnight, so we are currently working together with key clients and in a systematic manner to achieve this impact mitigation.

These efforts correspond to the first bullet point here on the left, which reads: “Comprehensive overhaul of pricing policy toward further profit expansion,” and progress is going according to plan on this front.

The second element of offensive structural transformation is the review of sales policies to reduce product returns and disposals.

This review is linked to and has some overlap with SCM as it pertains to timely procurement and manufacturing, and is related to the reduction of product returns and disposals and a reduction in the number of SKUs.

We will therefore continue carrying out efforts on this front.

Third, we have set our sights beyond the domestic market, as we consider the overseas market to be fertile ground and thus the key to business expansion.

The Head of Overseas Headquarters is here with us today, so perhaps we will be hearing more details from them, but personally and in broad strokes, things have been going well, with faster progress than expected in the overseas market.

We also have the General Environment and Sanitation business, which is a service we offer to clients on a B2B basis.

Here, we are seeing continued growth in client orders, which we believe to be indicative of an economic recovery, and profits following the slump seen during COVID.

This business, too, has delivered growth exceeding our expectations.

Then we have the fourth and last element of our business portfolio, which is MA-T.

Here, and after sustained work and efforts over the years, the vision we outlined for this business is starting to take shape in reality.

Following this earnings presentation, we will be going over the expected benefits and outlook for the MA-T business.

Going forward, we expect these four pillars to drive transformation to our earnings structure.

Lastly, the final element of offensive structural transformation is our financial strategy and the use of M&A.

Circling back to what I said earlier, we have greatly enhanced our cash-generating abilities.

I am not at liberty to give the full details here, but we have a forward-looking view of M&A as a way to further grow our business, and our financial constitution now allows us to pursue these types of actions.

Moving on to the right, we have a number of initiatives within our defensive structural transformation, although, “defensive” isn’t perhaps the most apt word to describe our strategy here.

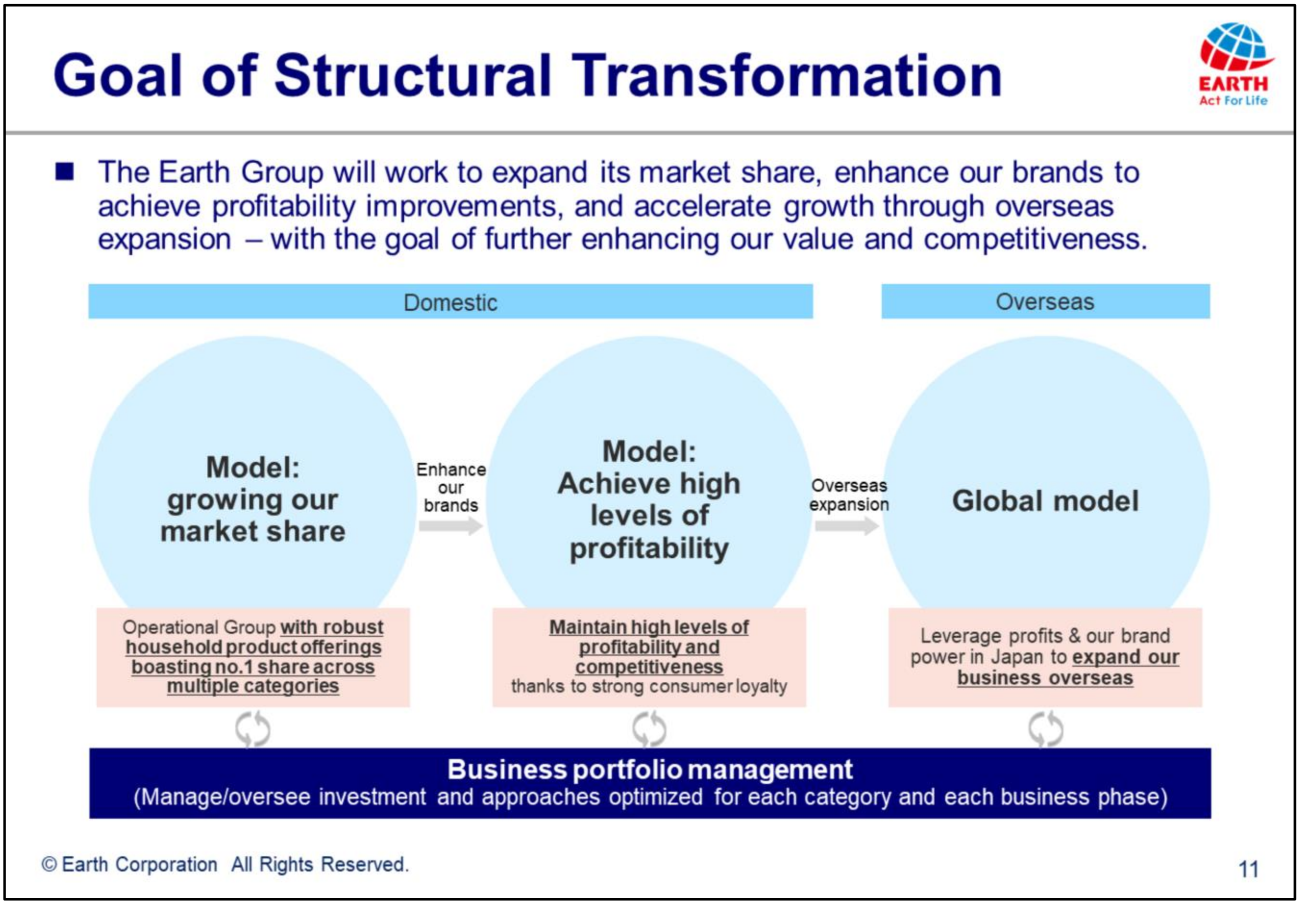
One of the key elements within the Medium-Term Business Plan is our ideal vision for the Earth Group and its component companies, that is, the Earth Corporation, BATHCLIN, and Hakugen Earth.

We will be giving a detailed explanation to stakeholders in the third quarter, but let me just state here that we are making progress toward this ideal vision.

As such, this isn’t the case of our not being able to go over these initiatives because we haven’t made progress in their execution, but rather, any announcement I make here today is bound to involve other people in the Earth Group and will require high work loads and high activity internally, so we ask for your understanding on this front.

In summary, we are making progress and will be giving a detailed explanation to stakeholders in the third quarter, so we request your patience and understanding on this matter.

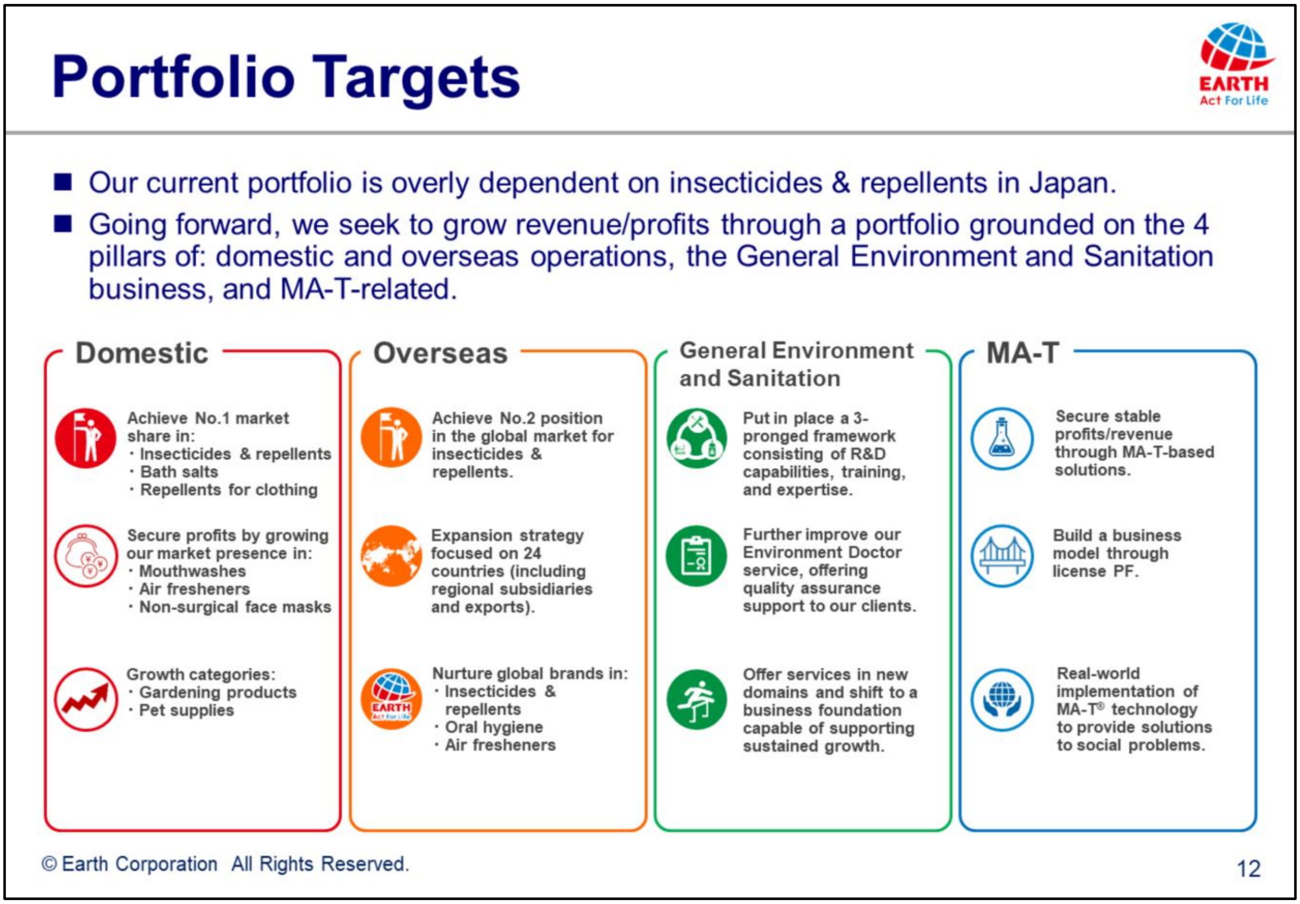
On a related note, we have already started assigning teams within the scope of reducing low-profitability brands and will be carrying out a variety of initiatives.



In conjunction with this structural transformation, there is a need for the Earth Group to further grow its market share in the markets we operate in, and furthermore, we view it as a given that we should be able to achieve high levels of profitability in places where we boast a high market share.

We will therefore be revamping our corporate structure to achieve these objectives, and then allocate to our global operations the profits derived from these efforts.

The diagrams on page 11 show a visual representation of this strategy.



This slide goes over our portfolio targets.

Our goal in the domestic market is to achieve number 1 market share in several product categories, secure profits by growing our market presence in mouthwashes and air fresheners — efforts which cannot be done overnight, as this is a steady process to be done over time — and lastly, carry out efforts in growth categories like pet supplies and gardening products.

Regarding our operations overseas, we disclose our global market share, with S. C. Johnson and Reckitt Benckiser, respectively, currently occupying the number one and number two spots worldwide.

The Earth Corporation holds the number three spot, so in the near future, we want to climb to number two, and this ambition underlies our efforts and strategies in terms of overseas operations.

Additionally, we will be focusing on 24 countries in which we have regional subsidiaries or which constitute key export markets, and thus further accelerate growth.

Regarding General Environment and Sanitation, this business has now grown to a scale exceeding 30 billion yen in scope, and at some point in the future, we want to have two large businesses: General Environment and Sanitation and then a manufacturing business.

We are enhancing the framework in this business, and we have great hopes here, as we hope to grow the General Environment and Sanitation business, not just in Japan but also overseas.

In the future, we expect this business to become a powerful profit driver for our Group.

Last, the fourth portfolio pillar is MA-T.

We envision a growing top line pie for this business, and we are committed to achieving 7% or 8% profits on this, and eventually aim for 10%.

Achieving this requires us to make changes to our profit portfolio and reduce our dependence on insecticides & repellents.

We are making changes and we believe these are going well, as we continue approaching this ideal portfolio structure.

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.

- **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

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I would now like to delve a little deeper into our product lineups.

We boast a number of competitive advantages, which we have leveraged in bringing new products to market.

Allow me to go over one such initiative in the second half of the ongoing fiscal year.

Due to seasonal demand, insecticides & repellents sell well in the first half.

In fact, in the past, we would hardly record any revenue from insecticides & repellents in the second half at all, with most of the inventory coming back to us as product returns.

However, due to global warming, sales of insecticides & repellents are now on a growth trajectory in the second half as well.

To wit, we have seen double-digit growth in these products in the second half for several years in a row now, so we view this environment as an opportunity to release insecticides & repellents targeting insects that normally only show up in the fall/winter season.

For example, people tend to leave their humidifiers and heating on in December and January, making for a hospitable habitat for insects like mites.

House flies and mosquitoes, too, now delay their gestation period to avoid the heat during the summer months and come out later, meaning we’ll likely start seeing more and more people getting bitten in the fall months.

In light of this gradual shift toward the second half of the year, Earth has released a new Zero no Knight product offering full protection against cockroaches and bed bugs.

Only Earth has the ability to release a product that is effective against super bed bugs, meaning we won’t be facing any competition from similar products from other companies.

This product came out just last week, and it has been very well received by retailers.

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)**

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We do expect a boost in insecticides & repellents, but ultimately, it is EHP products sold all year-round that make up the core of earnings in the second half.

As such, we will be releasing new products in our Onpo lineup and Mondahmin, too, will be undergoing a rebrand.

Mondahmin will be undergoing a major brand revamp next year, but, before that, we will be releasing a completely new product line of mouthwashes, called “Damon.”

These products will be released soon over the coming weeks and months, and we are rather optimistic about the prospects for these products.

The Earth Group announces its annual product release forecast in the first half every fiscal year, and we rarely reveal a release plan for the second half, simply due to the high degree of unpredictability.

As such, we usually release products outside the scope of the plan announced back in the first half, meaning the new releases shown here fall outside the sales and profit forecasts we shared with stakeholders at the start of the year.

We expect these products to have an accretive effect of between 600 and 700 million yen and, should these sell well, the results contribution could potentially be higher even.

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

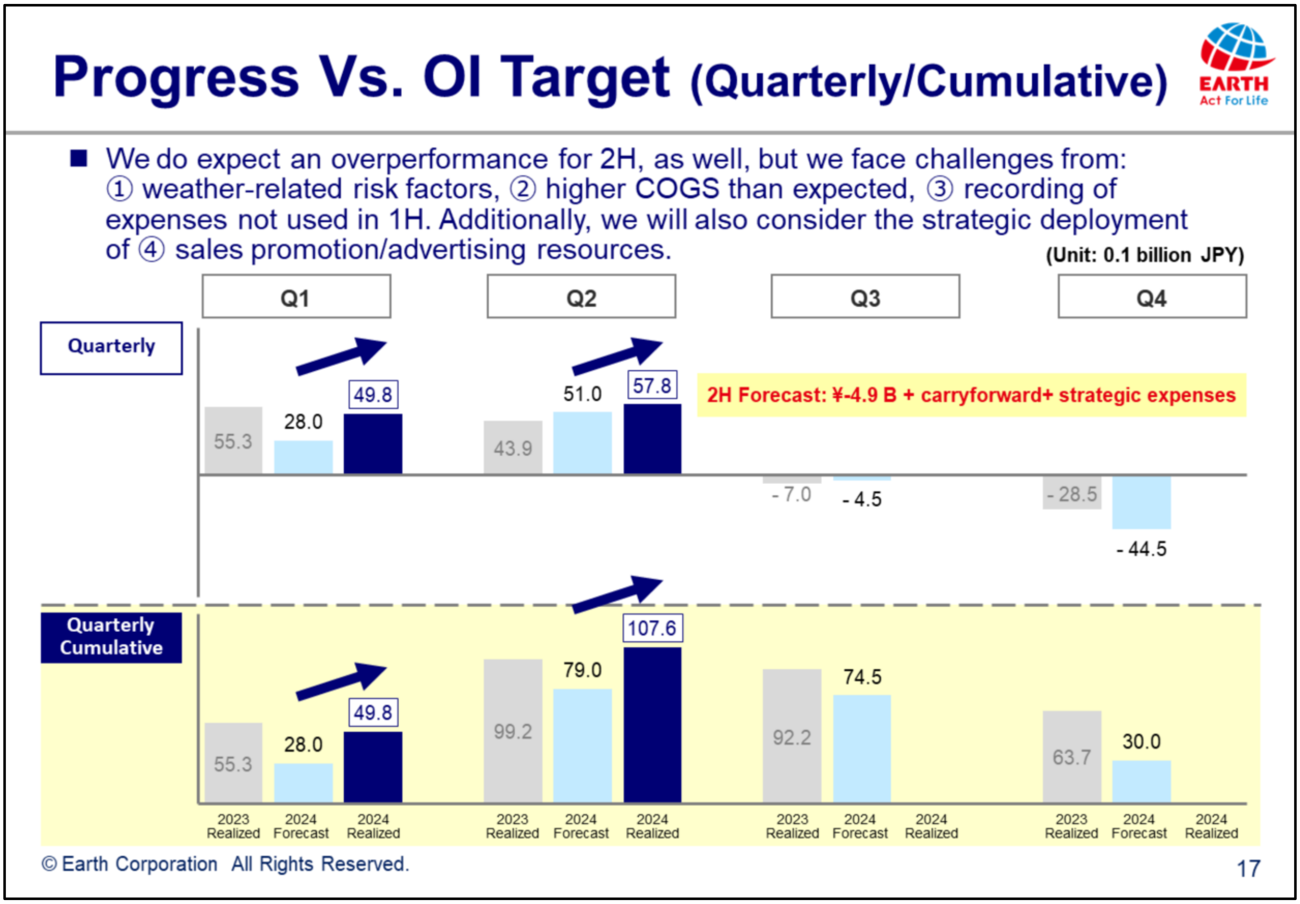
Sukki-ri air! toilet sprays

On the topic of cost pass-throughs, we have completed negotiations and will now be proceeding with price revisions for our product lineup of air fresheners in the second half.

Earth Corporation

FY 12/2024 Results Forecast

Lastly, allow me to go over the results forecast, which reflects the various topics we have discussed thus far.



We are seeing a positive reaction in terms of our operations in the third quarter and into the fourth quarter, and we expect to continue building up momentum.

We have been seeing these strong results, but ultimately decided not to announce a guidance raise at the end of the second quarter, as we were in the process of making decisions regarding how to best allocate the profits generated to ensure results next fiscal year and beyond.

That said, as of the third quarter, and even taking into account Group restructuring next fiscal year, we currently believe we will probably be able to issue a guidance raise.

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	• 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	• 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	• 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	• Temporary decrease in OI due to structural transformation.	63.7
Net Income attributable to owners of parent	17.9	• 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%	• Due to a temporary decrease in profitability.	6.3%

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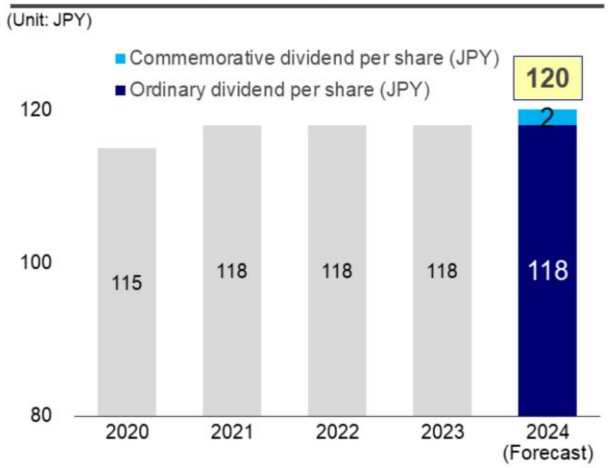
In light of what I just said, the 2024 results forecast shown here is likely to change.

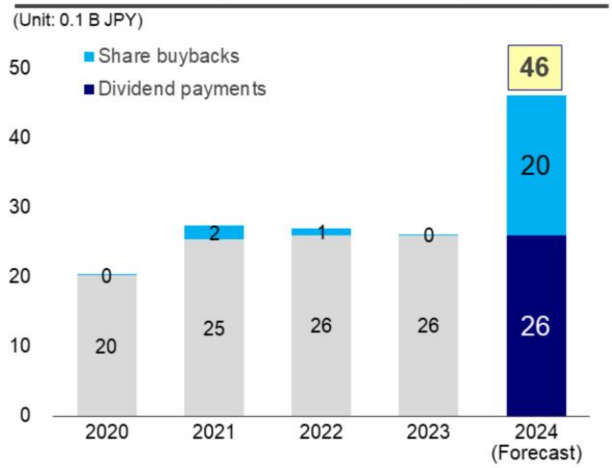
Shareholder Returns

- 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



Total returns (Dividends + share buybacks)



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Last is the topic of shareholder returns.

We have referenced how we place particular importance on shareholder returns.

As announced in the first quarter, we have declared a commemorative dividend of 2 yen per share to celebrate the Earth Corporation’s 100th anniversary next year.

Additionally, we also carried out our first stock buyback operation, for a total of 2 billion yen.

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.

This concludes our earnings briefing for the fiscal year ending December 2024.

Some things I am not at liberty to disclose as of yet, but I shared with you the information to the extent afforded to me as of right now.

Thank you for your time.