



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

08/09/2024

The background of the slide is a dark, starry space with a bright sun rising over the horizon of the Earth. The sun's rays create a lens flare effect. The Earth's blue and white horizon is visible at the bottom of the image.

**Earth Corporation**

We disclosed our second quarter financial results at 3pm on August 9th. As you have already seen, profits were particularly strong compared to our forecasts at the end of the second quarter. Today, I will be explaining this in detail. Thank you for your time.



# Executive Summary

## 24.2Q Results

**Sales: 97.09 B yen (vs. forecast: 102.5% +2.39 B yen)**

**Operating Income: 10.75 B yen (vs. forecast: 136.2% +2.85 B yen)**

- Sales overperformance vs. forecast coupled with better-than-expected COGS ratio and SG&A results led to significant profit growth in 2Q.
- As of 2Q, cost pass-throughs have allowed us to absorb the impact of soaring raw material prices.
- Insecticides & Repellents: Results mostly in line with the forecast.
- Household Products: Our flagship categories of bath salts & oral hygiene products fell short of the results forecast.
- Overseas & General Environment and Sanitation businesses: Strong performance.

## Topics

**Shareholder returns: Completed share buyback**

- Buyback totaling 2.0 B yen; 1.9% of total shares outstanding.

**ESG investment:**

- Selected as a component company of the FTSE Blossom Japan Index & FTSE Blossom Sector Relative Index.



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

© Earth Corporation All Rights Reserved.

3

- Here are the highlights of our performance in the second quarter.
- Net sales were 97.09 billion yen, and operating income was 10.75 billion yen.
- An increase of 6.76 billion yen in net sales and 830 million yen in operating income compared to the previous year.
- In addition, both sales and profits were significantly higher than planned.

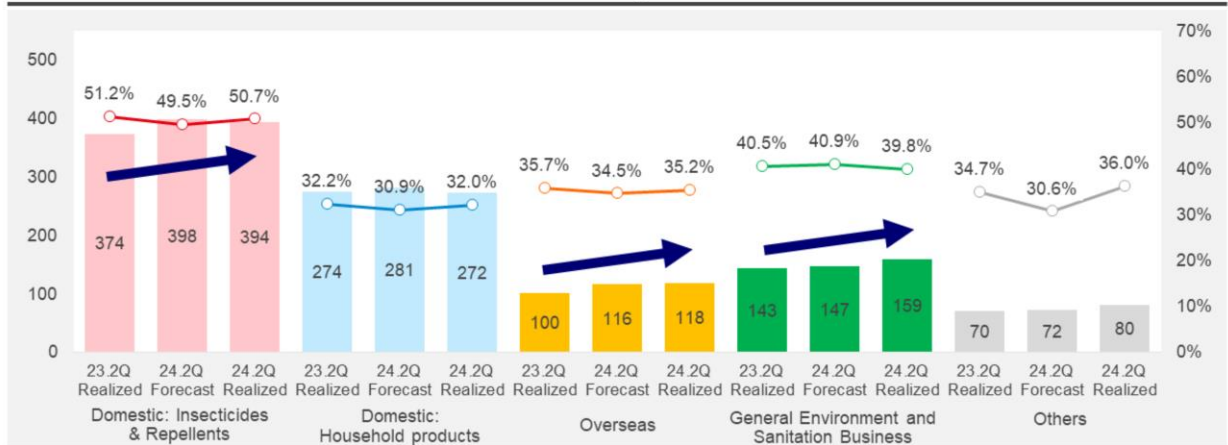
# Management Accounting Basis: Sales / GPM (2023 vs. 2024)



(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



© Earth Corporation All Rights Reserved.

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

4

- This is an overview based on management accounting.
- In terms of domestic insecticides and repellents, sales are generally increasing as planned.
- In terms of domestic household products, bath salts and mouthwash are performing below plan.
- Overseas, both ASEAN and China are performing well as of the 2Q, and the overall general environment and sanitation business is also continuing to grow steadily.
- I will explain each of these in more detail from here on.

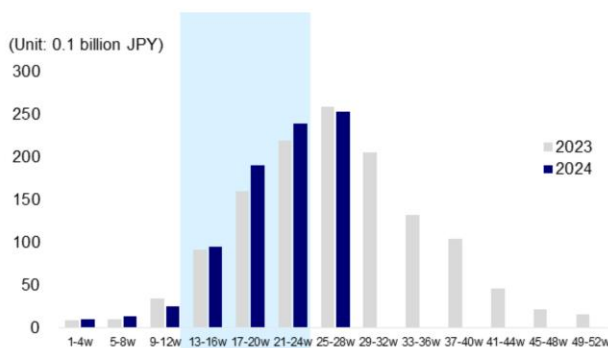
# Domestic: Insecticides & Repellents Status Update



- Strong April - June market performance lapping last year's results, also thanks to favorable weather.
- Market growth driven by sales of insecticides to eliminate cockroaches/pests, and repellents. Conversely, sales of fly and mosquito insecticide fell YoY.
- Strong progress in cost pass-through products.

## Market trends as of 6/30 and Earth's market share

【Market YoY growth】 **106.3%**      【Earth's market share】 **57.3%**



© Earth Corporation All Rights Reserved.

## Focused New Products Trends



Price revisions (total of 83 SKUs) – sales trend

【YoY】 **+0.97B JPY**      【vs. forecast】 **+0.34B JPY**

- Regarding domestic insect care products,
- As of the end of June, the market was 106.3% compared to the previous year. The market is still performing well as of the end of July. Market share is 57.3%, remaining the same as the previous year.
- By category, growth is being driven by products for cockroaches, unpleasant insects, and insect repellents. On the other hand, products for flies and mosquitoes are performing below the previous year.
- Amidst this situation, our new product “Gokish” is progressing at 136% of our plan, far exceeding our expectations. We believe that it has been accepted by customers as a high-end product.
- In addition, the products that we have revised the price of this term are also contributing to our profits.

# Domestic: Household Products Status Update



- The Earth Corporation dropped in market share for bath salts and mouthwash products due to heightened market competition.
- We are preparing a strategy to regain ground in 2H.

## Bath salts (as of 6/30)

【Market YoY growth】 【Earth's market share】

**102.0%**      **43.7%**

### Flagship products – sales trends

- Onpo

vs. forecast **95%**



- Kikiyu

vs. forecast **81%**



## Oral hygiene (as of 6/30)

【Market YoY growth】 【Earth's market share (mouthwash)】

**101.8%**      **18.1%**

### Flagship products – sales trends

- Mondahmin (regular)

vs. forecast **96%**

- PREMIUM CARE

vs. forecast **81%**



© Earth Corporation All Rights Reserved.

6

- Household products continue to struggle, as they did in the first quarter.
- In particular, our mainstay bath salts and mouthwash products are seeing their market share decline due to the intensifying competitive environment.
- As a recovery measure for these products, we are preparing to launch new products and renewals, as well as strengthen our marketing investment allocation and implement additional marketing measures, in order to mount a counteroffensive in the second half of the year.

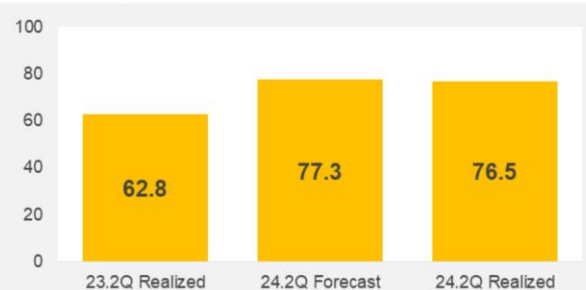
# Overseas – Status Update (ASEAN)



(Unit: 0.1 billion JPY)

## ASEAN Core Area (Thailand & Vietnam)

- Thailand**
  - While sales fell slightly short of the target on a local currency basis, this nevertheless represents significant YoY sales growth.
  - Significant growth to core accounts.
  - Release of new products "ARS Mos shooter."
- Vietnam**
  - Products for MT overperformed, while products for GT fell slightly short. Overall results in line with the plan.
  - Strong sales growth for our core category of household detergents, insecticides & repellents, air fresheners, etc.



## ASEAN Expansion Area (Malaysia & Philippines)

- Malaysia**
  - Significant sales overperformance.
  - Strong results for insecticides & repellents and air fresheners.
  - Increase in adoption of staple products by core client accounts contributed to this growth.
- Philippines**
  - While short of the target, sales increased YoY.
  - Shipment of new products is going well.
  - Increase in sales promotion expenses, e.g., listings and in-store placement strategies.



© Earth Corporation All Rights Reserved.

7

Regarding overseas,

- In the ASEAN core area, both Thailand and Vietnam are growing steadily.
- In Thailand, although sales were slightly below plan in local currency terms, they achieved significant growth year-on-year. Growth was particularly strong for major accounts, and we also expanded our share and number of shipments for open trade. The introduction of "ARS Mos shooter", which was launched in collaboration with Kao Corporation, is also progressing.
- In Vietnam, sales of products for MT exceeded our plan, while sales of products for GT were slightly below target, but overall sales were in line with our plan. In addition to growth in our core products, such as household detergents and insecticides and repellents, new laundry detergents also contributed to sales.
- Next, I will explain the situation in the ASEAN expansion area.
- In Malaysia, sales of both insecticides and repellent and air fresheners were strong, and sales were significantly higher than planned.
- In the Philippines, sales increased despite the fact that the plan was not achieved, and the distribution of new products is progressing smoothly.



# Overseas – Status Update (China & Exports Business)



(Unit: 0.1 billion JPY)

## China

### Domestic (China)

- Significant sales growth for both offline & EC.
- Introduction of five priority sales items is going well. We will promote in-store sales in 2H and work to minimize product returns.
- Strong results exceeding the forecast in EC. Expect this trend to continue in 2H.

### Cross-border

- Flagship products: results in line with LFY.
- Structural reform to further develop our cross-border business. Earth is currently in the process of selecting and developing new products.

## Exports Business

### M. East

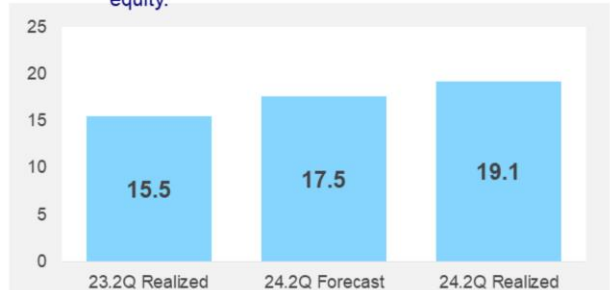
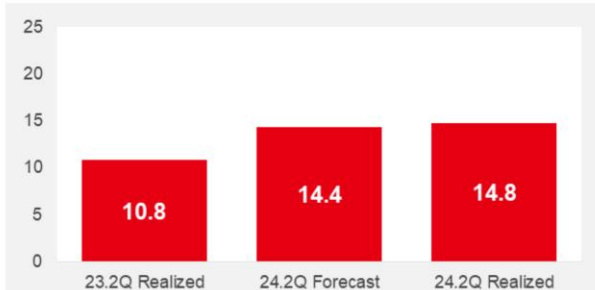
- Grow our offerings of insecticides & repellents.
- Continued LFY's strong performance with new products making a contribution to sales.

### Hong Kong

- We offer primarily insecticides & repellents, insect prevention and humidity removal products.
- Recovered from LFY's sales slump, growing in 2Q.

### Taiwan

- Offerings focused primarily on insecticides & repellents.
- Grow sales by attracting customers w/ products like our fly/roach baits, which boast material brand equity.



© Earth Corporation All Rights Reserved.

8

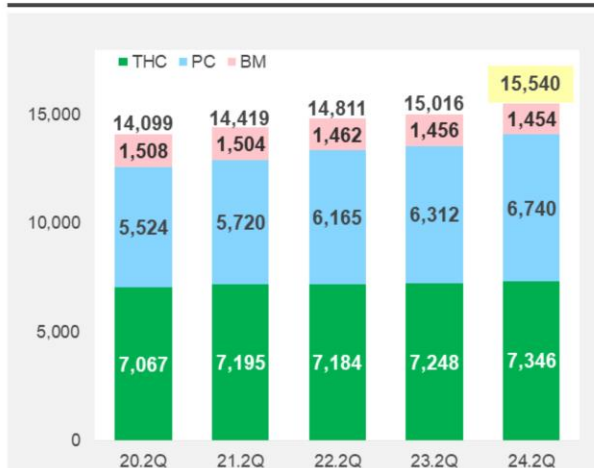
- Regarding China business, As we indicated in the first quarter, our strategy of strengthening our offline presence in China has been successful, and we have achieved a significant increase in sales. For the second half of the year, the challenge will be to reduce returns by promoting in-store sales.
- Regarding cross-border business, sales of our main products are on a par with the previous year. We carried out an organizational restructuring in April, and are working on developing and selecting products that meet needs.
- Regarding export business, our main markets are the Middle East, Hong Kong and Taiwan, and sales are steadily increasing in all regions.

# General Environment and Sanitation Business – Status Update



- YoY: +1.5 B JPY (+10.7%); Vs. forecast: +1.2 B JPY (+8.1%); Significant sales growth.
- Steady growth in annual contract numbers drove growth.

General Environment and Sanitation Business –  
Trend in Annual Contract Numbers



© Earth Corporation All Rights Reserved.

Reasons behind this strong performance

- |          |   |
|----------|---|
| External | <ul style="list-style-type: none"> <li>■ Recovery in corporate capex and spend on plant sanitation, which had been put on hold due to COVID.</li> <li>■ Increased interest by our clients following reports of foreign material contamination detected in products by prominent manufacturers.</li> </ul> |
| Internal | <ul style="list-style-type: none"> <li>■ Further enhance employee training through our Skill Development Center. → Improvement of basic management skills.</li> <li>■ Results from structural reorganization allowing us to operate as a Company boasting high levels of specialization.</li> </ul>       |

9

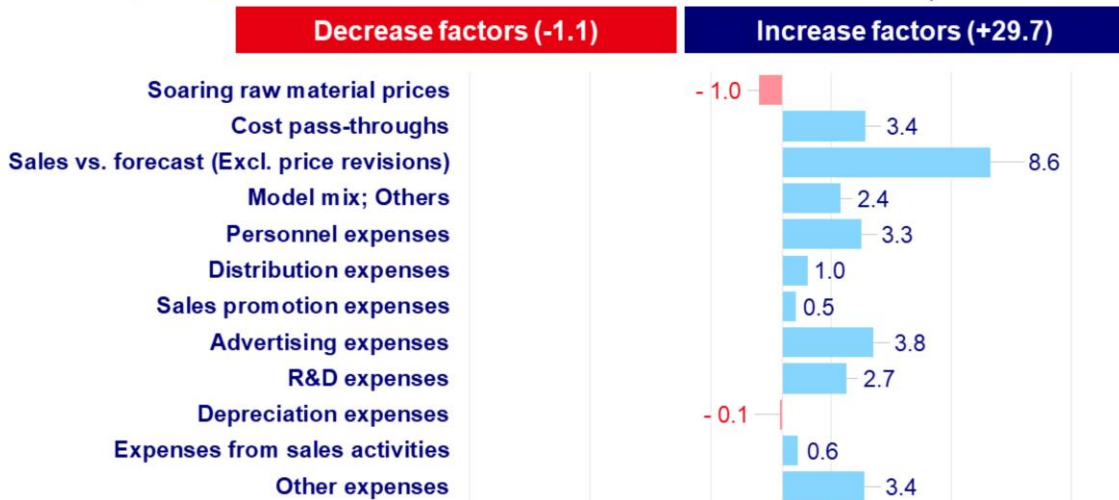
- General Environment and Sanitation Business is achieving steady growth.
- The main factor driving this growth is the increase in the number of annual contracts, but this is due to a combination of factors, including the fact that companies have become more active in their approach to capital investment and hygiene-related costs, which had been suppressed due to the coronavirus pandemic, as well as the fact that customers' awareness of hygiene management has increased in the wake of incidents such as foreign matter contamination.
- In addition, we believe that internal factors such as the enhancement of employee education and training and the reorganization of the company into a more specialized organization have also contributed to this growth.

## 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)



© Earth Corporation All Rights Reserved.

10

- So far, we have been explaining the sales situation for each portfolio.
- From now, we are going to explain about operating income.
- Regarding the factors affecting operating income, the impact of the rise in raw material prices has been somewhat greater than expected. •
- On the other hand, we have been able to recover from this through our pricing revision measures.
- In addition to the improvement in gross profit due to the upward revision of sales targets and the model mix, there were some expenses that were not incurred, and as a result, there was a significant increase in profits.

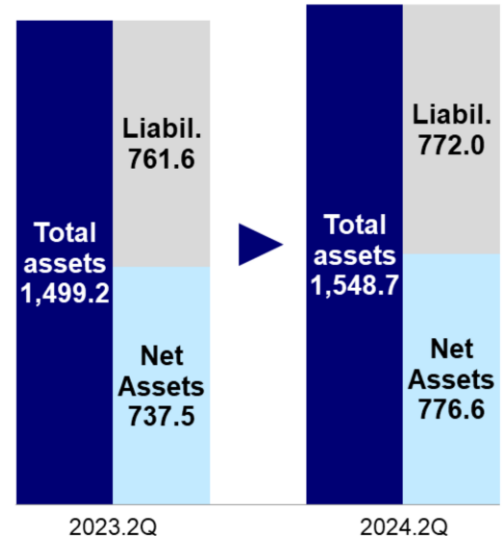
# Consolidated: Balance Sheet



(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
<b>Total assets</b>	<b>1,499.2</b>	<b>1,548.7</b>	<b>+49.4</b>
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
<b>Liabilities</b>	<b>761.6</b>	<b>772.0</b>	<b>+10.3</b>
Trade payables	383.0	413.4	+30.3
Borrowings	107.2	70.0	-37.2 ②
<b>Net assets</b>	<b>737.5</b>	<b>776.6</b>	<b>+39.0</b>
<b>Equity ratio</b>	<b>45.7%</b>	<b>46.6%</b>	<b>+0.9pt</b>



© Earth Corporation All Rights Reserved.

11

- This is the situation with the balance sheet. There are two main points
- The first is the decrease in inventory assets. This is due to the effects of inventory compression since the second half of last year, and there has been a decrease of 4.3 billion yen.
- The second is the decrease in borrowings. This is due to the improvement in cash efficiency as a result of the improvement in working capital, such as inventory compression.



**Earth Corporation**

## **Full Year Results Forecast**

---

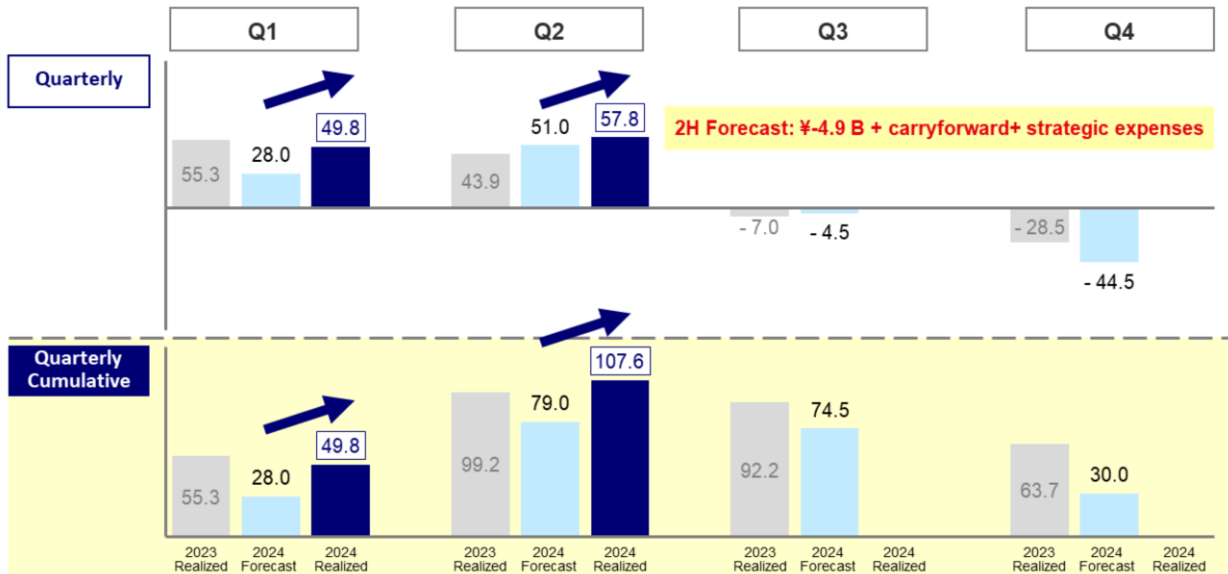
- So far, we have been explaining the results for the second quarter.
- From here, we will explain the full-year earnings forecast.

# 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)



© Earth Corporation All Rights Reserved.

13

- This shows the progress of operating income for each quarter.
- Both Q1 and Q2 saw profits exceed the plan, and we are expecting profits to exceed the plan for the second half of the year as well.
- On the other hand, we are considering the risk of weather-related problems, the risk of costs exceeding budgeted costs, the use of expenses that were not used in the first half of the year, and the strategic use of sales promotion and advertising expenses.
- Furthermore, we also see the risk of the current rapid changes in exchange rates making it more difficult to predict the future.

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

© Earth Corporation All Rights Reserved.

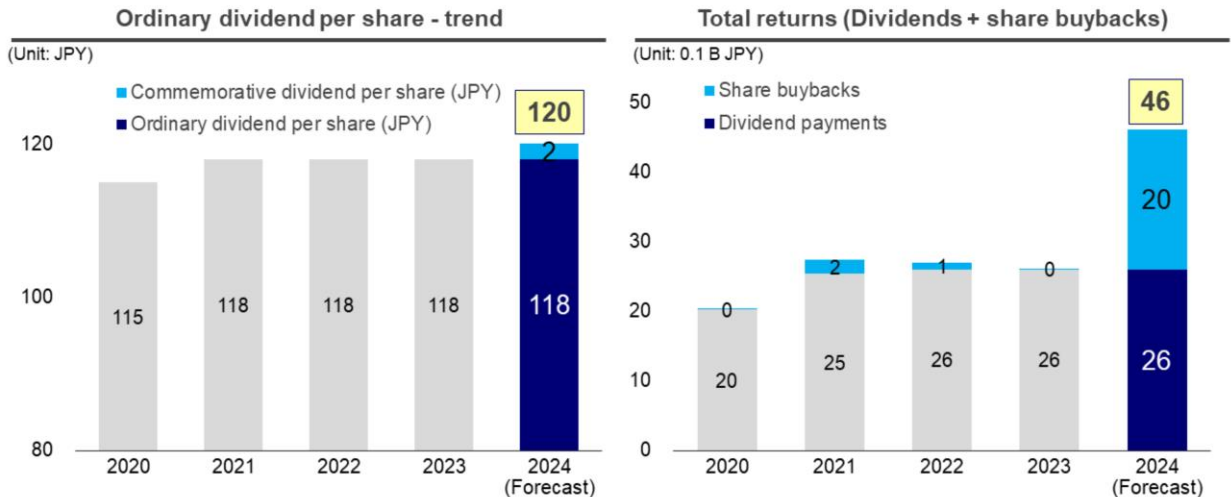
14

- Given this situation, we have decided not to revise our earnings forecast at this time.
- We are currently considering our earnings forecast, including the risk scenarios I mentioned earlier. We will continue to communicate closely with the capital markets, while ensuring that the probability of these scenarios is as high as possible.

# 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.



© Earth Corporation All Rights Reserved.

15

- This is about shareholder returns.
- There have been no major changes to our return policy.
- As we announced the other day, we have completed the acquisition of 2 billion yen worth of treasury stock as of the end of July.
- Together with the dividend forecast for this fiscal year, we expect to return a total of 4.6 billion yen this fiscal year.



# Topics: ESG Investment



- The Earth Corporation was selected as a component of the FTSE Blossom Japan Index and the FTSE Blossom Sector Relative Index – two indices related to ESG investment.



## FTSE Blossom Japan Index



## FTSE Blossom Japan Sector Relative Index

[Selected as a component of the ESG investment indices FTSE Blossom Japan Index and FTSE Blossom Japan Sector Relative Index for the first time. \(corp.earth.jp/en/\)](https://corp.earth.jp/en/)

© Earth Corporation All Rights Reserved.

16

- Lastly, on an investment-related topic.
- We were recently selected for the first time as a component of the FTSE investment index.
- We consider our ESG activities to be an important management issue, and we believe that this is a reflection of the results of our efforts. The purpose of our ESG initiatives is not to be included in the stock selection process, but it is encouraging. We will continue to further strengthen our ESG initiatives.



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.

- With that, we have finished the second quarter earnings presentation, and will now move on to the Q&A session.