



Earnings Briefing Materials for 3Q of the Fiscal Year Ending December 2024

11/11/2024



Earth Corporation

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

Today, we announced the results for the third quarter, revisions to the full-year forecast, and the integration of BATHCLIN. I would like to explain these points.

Let me begin by explaining the results for the third quarter of fiscal year 2024.



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Financial Result Highlights of 3Q FY 12/2024

Financial Result Highlights



(Unit : 0.1 billion JPY)

- vs forecast Sales +21.5 B yen, Operating profit +32.3 B yen.
- In addition to the achievement of the sales forecast, the cost of sales ratio and SG&A expenses progressed within the plan, enabling the company to achieve the forecast.
- Progress of price revisions of Insecticides and repellents are going well.

	23.3Q Realized		24.3Q Forecast		24.3Q Realized		Comparison			
	Amount	% Sales	Amount	% Sales	Amount	% Sales	YoY	YoY (%)	vs. Forecast	vs. Forecast (%)
Sales	1,267.6	100.0%	1,327.0	100.0%	1,348.5	100.0%	80.8	106.4%	21.5	101.6%
COGS	745.0	58.8%	782.4	59.0%	791.2	58.7%	46.1	106.2%	8.7	101.1%
Gross Profit	522.6	41.2%	544.5	41.0%	557.3	41.3%	34.7	106.6%	12.8	102.4%
SG&A	430.4	34.0%	470.0	35.4%	450.5	33.4%	20.0	104.7%	▲ 19.4	95.9%
Operating Income	92.1	7.3%	74.5	5.6%	106.8	7.9%	14.6	115.9%	32.3	143.4%
Ordinary Income	99.4	7.8%	79.0	6.0%	110.4	8.2%	11.0	111.1%	31.4	139.8%
Net Income attributable to owners of parent	64.4	5.1%	46.0	3.5%	72.3	5.4%	7.8	112.2%	26.3	157.3%

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First, let's look at the financial results highlights.

Sales were 134.85 billion yen, and operating income was 10.68 billion yen, which was an increase of 2.15 billion yen over the plan for sales and an increase of 3.23 billion yen over the plan for operating income. Although there were some fluctuations in sales by category, overall sales exceeded the plan. In addition, I think that these figures show that the price revisions, which are a major issue for us this year, are progressing smoothly.

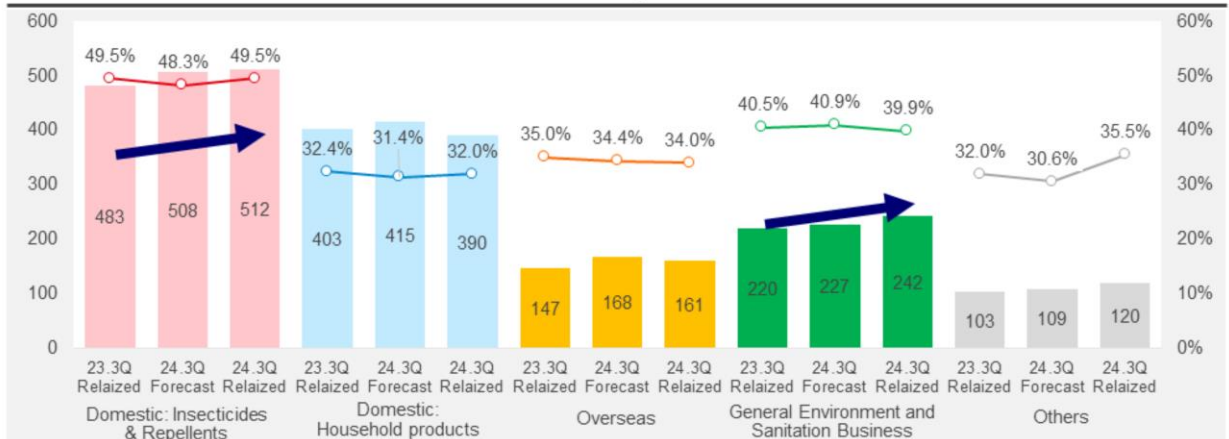
Management Accounting Basis: Sales / GPM



(Unit : 0.1 billion JPY)

- Domestic - Insecticides & Repellents : Sales exceeded plan and profit margin improved.
- Domestic - Household products : Bath salts and oral hygiene products fell short of plan.
- Overseas : Although sales fell short of the plan, they exceeded the previous fiscal year, and there is no concern about growth potential.
- General Environment and Sanitation Business : Favorable growth in number and amount of contracts.

Sales / GPM by Portfolio



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

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This is a breakdown of sales and gross profit margins by portfolio on a management accounting basis.

To cut to the chase, things are generally going well for all products except for household products segment in Japan, but the situation for household products segments is tough.

Domestic: Insecticides & Repellents Status Update



- Favorable market due to favorable weather.
- Continued trend of market growth driven by cockroach, nuisance pest, and insect repellent products.
- Contribution from growth of new products and price revisions (+2.09 B yen y/y, +0.69 B yen vs. plan).

Market trends as of 9/30 and Earth's market share



Focused New Products Trends

Gokishu!
【vs. forecast】
156%

ZERO no KNIGHT
For cockroaches and bed bugs
【Sales contribution amount】
0.24 B yen

Our shipment basis

This is a report on the situation of the domestic insecticides & repellents segment.

As of the end of September, the market situation was very good, with the market itself growing by 5% compared to the previous year. In this environment, the Company, as the top manufacturer, is also in a position to lead the market. Our market share, which is the percentage of support from customers, has also increased by 0.3 points from the previous year to 57.1%.

The current situation is also relatively good. The new products ‘Gokishu!’ and ‘ZERO no KNIGHT’ on the right of the slide are contributing to sales. In addition, we have implemented price revisions for a total of 59 SKUs of insecticides & repellents products this term, and I think that these have contributed to profits, which is a major topic.

Domestic: Household Products Status Update



- Market share of bath salts and mouthwashes declined due to continued intensification of the competitive environment in the market.
- Bath salts and mouthwash contributed to the improvement of the shortfall in the plan, thanks to the effects of the recovery measures in the second half of the year.

Bath salts (as of 9/30)

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

102.7% **42.5%**

Flagship products – sales trends

- Onpo

vs. forecast **99%**



- Kikiyu

vs. forecast **80%**



Oral hygiene (as of 9/30)

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

102.3% **18.0%**

Flagship products – sales trends

- Mondahmin (regular)

vs. forecast **101%**



- PREMIUM CARE

vs. forecast **81%**



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I will explain the situation regarding household products segment in Japan, focusing on our mainstay bath salts and mouthwash.

First of all, the situation for bath salts has been difficult since January. As a countermeasure, we launched the large-scale new product 'Dekamaru' in the second half of the year and are now monitoring the market's response. Since the launch of this product, the negative gap compared to our plan has been shrinking, so we think that we are currently gaining customer support. We will be conducting sales and marketing again in preparation for the peak season, and we hope to achieve good results.

The same situation is continuing with mouthwash. While we are trying to reform the 'Mondahmin' brand as a whole, we launched a completely new product called 'Damon' in the second half of the year. This product is also being well received by customers. We have decided to take further measures for 'Mondahmin' in the next fiscal year. We would like to create a good trend based on this as well.

The measures we have been implementing since the third quarter for our mainstay bath salts and mouthwash are gradually starting to take effect, so we will be working to make a comeback.

Overseas – Status Update

ASEAN Core Area (Thailand & Vietnam)

(Unit : 0.1 billion JPY)

- Thai**
 - Achieved sales targets in both yen and local currency terms.
 - Promoted sales expansion to establish the new product "ARS Mos Shooter" as a standard item.
- Vietnam**
 - Sales fell short of the plan in local currency terms but grew significantly year-on-year.
 - Sales growth for our core category of household detergents, insecticides & repellents, air fresheners, etc.

ASEAN Expansion Area (Malaysia & Philippines)

- Malaysia**
 - Significant sales overperformance.
 - Increase in standard adoption for major accounts.
 - Launching new products for Insecticides and Repellents and air fresheners, and promoting the development of new sales channels.
- Philippines**
 - Sales plan not achieved, but sales increased.
 - New products continue to be well-distributed.
 - Listing fees and sales promoting expenses increase in order to expand sales.

China

- Working to promote the sale of insecticides & repellents in stores and negotiate for their adoption as annual products, and work to reduce returns.

Exports Business

- Strong sales of insecticides & repellents, etc. continue, centered on Saudi Arabia, Hong Kong, and Taiwan.



This is the situation of our overseas business.

As you can see in the graph on the right, things are going well in terms of yen-denominated figures. When looking at things in yen, there are some differences depending on the area, but in terms of local currency, we do not think that there is any decline in our traditional growth potential.

We are taking different approaches in different countries. This fiscal year, we are following a policy of expanding our operations in Thailand and Vietnam, while also expanding our operations in the Philippines and Malaysia, and rebuilding our operations in China. In all of these countries, we are making progress as we had expected, so we would like to continue to make further progress in the next fiscal year and beyond. At the moment, we are placing top priority on overseas business in our new medium-term business plan, and we do not think that there is anything wrong with our plan. At the same time, we have moved away from the situation of exporting products indiscriminately. We are now focusing on specific targets and making good progress.

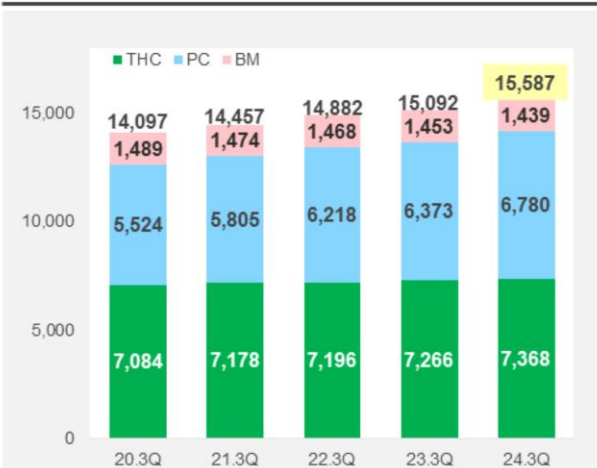
Against this background, we can say that our overseas business is progressing smoothly overall.

General Environment and Sanitation Business – Status Update



- YoY: +2.2 B JPY (+9.9%); Vs. forecast: +1.5 B JPY (+6.4%); Significant sales growth.
- The situation that has been boosting results since July will continue, and the steady increase in the number of annual contracts and amounts will drive performance.

General Environment and Sanitation Business –
Trend in Annual Contract Numbers



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Reasons behind this strong performance

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

This is about our general environment and sanitation business.

The general environment and sanitation business, which we are working to make into one of our two main pillars, is achieving steady growth. Compared to the previous year, revenue has increased by 2.2 billion yen, and compared to our plan, by 1.5 billion yen, which is a significant increase. This business is completely different from manufacturing, and we are successfully acquiring customer demand.

We believe that the background to this strong performance is a combination of external and internal factors. The external factor is that, now that the COVID-19 pandemic is over, companies that are our clients have more money to spend on hygiene-related matters. The internal factor is that we have been able to train enough staff to cope with this. These two factors have combined to enable us to increase the number of cases we handle each year.

Operating Income Change Factors (Vs. Forecast)



(Unit : 0.1 billion JPY)

- Although the soaring cost of raw materials has had a greater impact than planned, the effects of the price revision measures have absorbed this.
- 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.

Decrease factors (-1.5)

Increase factors (+33.9)



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Next, I will explain the factors behind the change in operating income compared to the plan.

Compared to the time of the announcement of the second quarter results, the impact of the rise in raw material prices has not yet stopped and has slightly increased. However, we believe that the situation is being sufficiently covered by the price revision measures.

On the other hand, in terms of expenses, SG&A expenses are generally lower than planned. In response to this situation, we are planning to invest additional advertising expenses from the fourth quarter onwards, with the aim of investing in future growth. We think that the impact of this will be seen in the results for the fourth quarter.



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Full Year Results Forecast

In light of these situations, we have revised our full-year earnings forecast.

Revision to the full-year earnings forecast



- Considering the current situation, the company announced an upward revision to its full-year earnings forecast on November 11th.
- Excluding one-time costs such as costs related to profit structure reform and strategic expenses, profit levels exceeded those of the previous year.

(Unit : 0.1 billion JPY)

	2024 Forecast	2024 Revised	Change	Factors causing differences from the plan	2023 Realized
Sales	1,650	1,680	+30.0	<ul style="list-style-type: none"> Sales of Insecticides and Repellents exceeded expectations / Returned goods were suppressed General Environment and Sanitation Business and MA-T business exceeded plan. 	1,583
Gross Profit	658.3	672.0	+13.7	<ul style="list-style-type: none"> Price revision effects exceeded expectations Cost of sales ratio improved due to changes in sales composition 	636.2
SG&A	628.3	616.0	▲12.3	<ul style="list-style-type: none"> Costs related to structural reform were more efficient than expected Marketing-related expenses were increased 	572.5
Operating Income	30.0	56.0	+26.0		63.7
Ordinary income	35.6	61.5	+25.9		67.9
Net Income attributable to owners of parent	17.9	30.0	+12.1		41.0

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* The dividend per share is scheduled to be 120 yen (118 yen and a commemorative dividend of 2 yen). 11

To be honest, there are still some factors that we can't read about this term, but we are forecasting sales of 168 billion yen, which is 3 billion yen more than our initial plan.

In addition to the fact that the insecticides & repellents segment, general environment and sanitation business, and MA-T business are expected to exceed their targets, we will also be promoting a recovery in household products segment. We are determined to do whatever it takes to achieve this. In addition, we are forecasting operating income of 6 billion yen, 3 billion yen more than planned. The main factors behind this are the increase in sales and the effect of price revisions, as well as the fact that we expect overall SG&A expenses to be within our planned budget.

Progress of initiatives in the second half of the year



- We are promoting various measures to recover from the unmet plan in daily necessities in the first half of the year and to continue improving profitability.

Contents	Point
<ul style="list-style-type: none">• Bringing a new product to market. (insecticides & repellents)	<ul style="list-style-type: none">• In response to the growing demand for Insecticides & Repellents in the fall and winter, we launched “ZERO no KNIGHT For cockroaches and bed bugs” in the fall.• We are promoting the year-round use of Insecticides & Repellents to alleviate the seasonal nature of our business performance.
<ul style="list-style-type: none">• Recovery in the household product category	<ul style="list-style-type: none">• Launched bath salts “Onpo Dekamaru” and mouthwash “Damon”• Actively promoted communication via SNS and other channels to boost sales.
<ul style="list-style-type: none">• Additional cost pass-throughs	<ul style="list-style-type: none">• Price revisions (approx. 20% increase in store price) for 53 SKUs of the air freshener “Sukiiri!” brand were implemented from September.
<ul style="list-style-type: none">• SG&A control	<ul style="list-style-type: none">• Thorough examination of budget details• Additional marketing expenses have been invested in conjunction with the implementation of the second half recovery measures.

Until now, the issue for the second half of the year has been how to reduce the number of returns of insecticides and repellents products. Although there is still a need to control returns, sales of insecticides and repellents products have also increased in the second half of the year, which corresponds to the autumn and winter seasons. The reason for this is thought to be that, due to changes in the external environment, the sales period for insecticides and repellents products has become longer in Japan. For this reason, the Company is boldly introducing new products at this time of year, and is working to achieve further sales growth. We hope to use this approach to boost sales and reduce returns in the next fiscal year.

We believe that it is more important to recover household products segment in the second half of the year. We have released new products in our mainstay bath salts and mouthwash. At the moment, things are progressing smoothly, so we will continue to work on this with a system in place that will ensure sales and profits without letting our guard down.

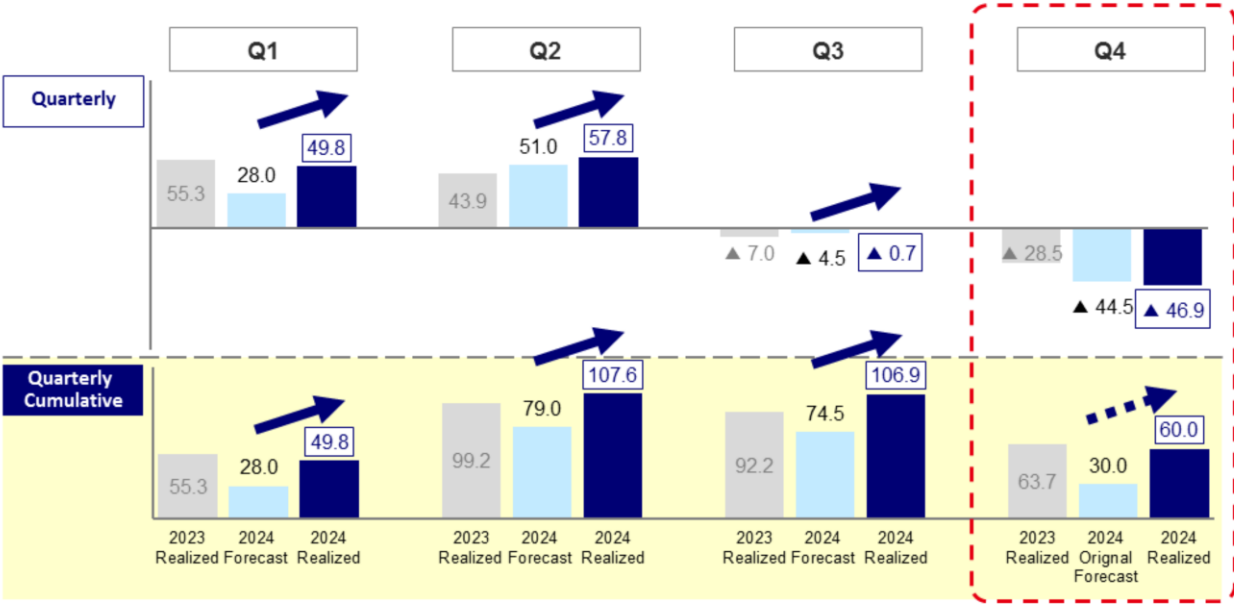
In addition, we have been revising the prices of 53 SKUs in our ‘Sukiiri!’ brand of air fresheners since September. There may be a slight downward pressure on sales, but we expect this to have a positive effect on profits in the future.

Progress Vs. OI Target (Quarterly/Cumulative)



(Unit : 0.1 billion JPY)

- Additional investment in strategic expenses such as advertising in Q4.
- Excluding these effects, operating profit in Q4 is expected to be in line with the initial plan



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This is a progress report on operating income.

Up to the third quarter, the combined effect of the weather and the results of our initiatives led to these results. In the fourth quarter, we are also expecting to spend more than in the previous year, so we expect to see a quarterly loss of 4.69 billion yen.

Next year will be the second year of our medium-term business plan. We will continue to spend the necessary funds, including those related to reform, and we will carry out the medium-term business plan.



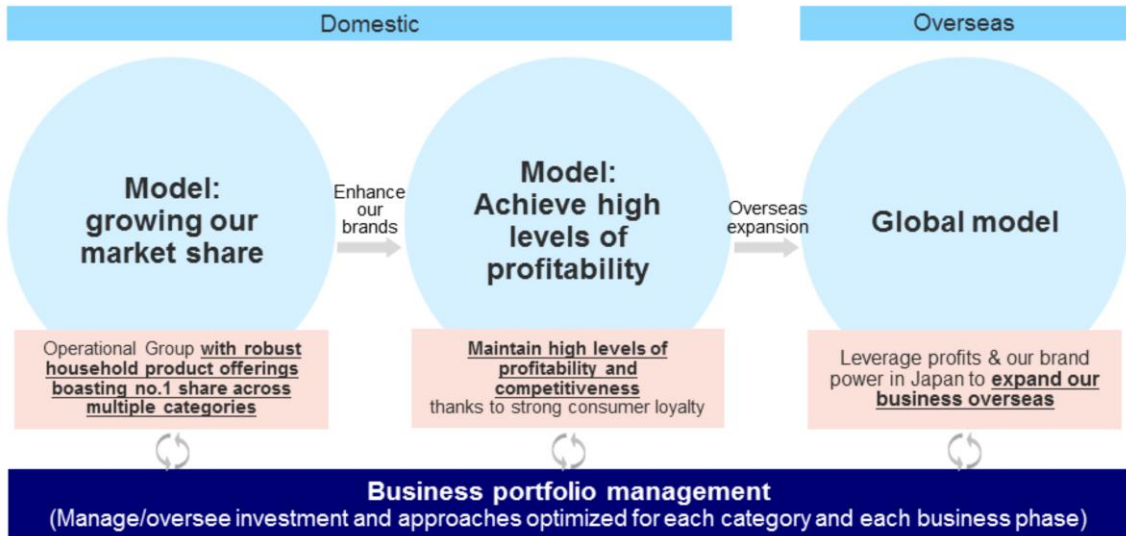
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Progress in Structural Reform

I would like to talk about the progress in structural reform and the details that have been decided so far.

Goal of Structural Reform

- Aiming to become a “stronger Earth Group”, we will optimize our business portfolio and reorganize the allocation of resources.



This slide shows the positioning of structural reform in the current medium-term business plan. We have told you that the current medium-term business plan will focus on structural reform. We are currently carrying out two types of reform at the same time: ‘offensive’ and ‘defensive’.

Today, I will explain the details of the group restructuring, which is the core of our structural reform, as well as other initiatives we are promoting, the progress we have made so far, and our future plans.

Through its profit structure reforms, the Company aims to become a stronger Earth Group. The Group's policy is to increase its market share, which is the level of support it enjoys among customers, and to improve profitability by strengthening its brands. There is no major change to the model of using the resources gained in this way to accelerate overseas growth. To achieve this, the Company will reorganise its organisation through Group restructuring and optimise its business portfolio, and will reorganise the allocation of resources accordingly.

Promoting Group Reorganization for Structural Reform



- Promoting portfolio management for 4 pillars: Domestic, Overseas, General Environment and Sanitation Business, and MA-T business.
- Implementing a group reorganization in Japan to optimize the household products division.



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In order to achieve structural reform, we will promote business portfolio management across the entire group. We will create an optimal business portfolio to expand earnings, with four major pillars: domestic business, which is the foundation of our earnings; overseas business, which we see as a driver of future growth; the general environment and sanitation business, which is developing in a different area to manufacturers; and the MA-T® business, which we hope will become a pillar of future earnings. The results of our efforts in the MA-T® business are gradually starting to show.

In order to reform our profit structure, we believe that it is essential to develop and streamline our domestic business, which is our current profit base. We would like to strengthen the management control system of the entire group by reorganising the group to optimise the allocation of resources for household products segment, which we consider to be the next pillar of profit after the solid insecticides & repellents segment.

Group restructuring ①

Enhancing of group management structure



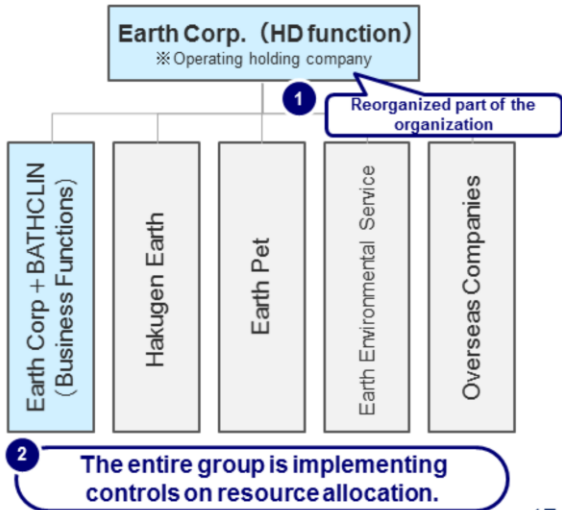
- Establishing the HD system and promoting the optimization of resource allocation across the entire group.
- Building a system that achieves “Rapid decision-making”, “Enhancing of the management control system”, and “Selection and concentration of management resources”

■ Policy for Enhancing Group Management Structure



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■ Organization and Control Systems



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As the first step in our group restructuring, we will be strengthening our HD system.

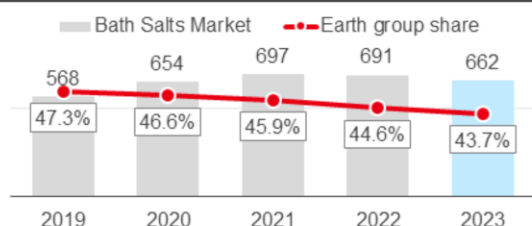
We will establish an HD function within Earth Corporation, and place each company under its umbrella to take on business functions. This will enable the entire group to make efficient decisions on a variety of matters, including the control of resource allocation and the management of production systems. We would like to work on strengthening our management control system and making quick decisions over the next year.

Group restructuring ② Towards the reorganization of the bath salts business

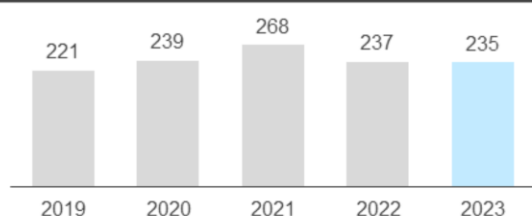


- The bath salts business being carried out by the three companies Earth Corp, BATHCLIN, and Hakugen Earth will be promoted as a group in order to make it the next pillar of the domestic market after Insecticides and Repellents.

Bath Salts Market Share Status (Unit : 0.1 B JPY)



Bath Salts Sales (2019-2023) (Unit : 0.1 B JPY)



Future plans

Profit growth

Formulate a bath salts business strategy for the entire group

Expanding Sales & Share

**Business Integration
Earth Corp and BATHCLIN**

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The second initiative in the group restructuring is the reorganization of the bath salt business.

The Earth Group has the largest share of the bath salt market. However, it is necessary to raise the overall level of the bath salt category, and it is undeniable that decision-making is slow when the company is split up. This is a structural problem.

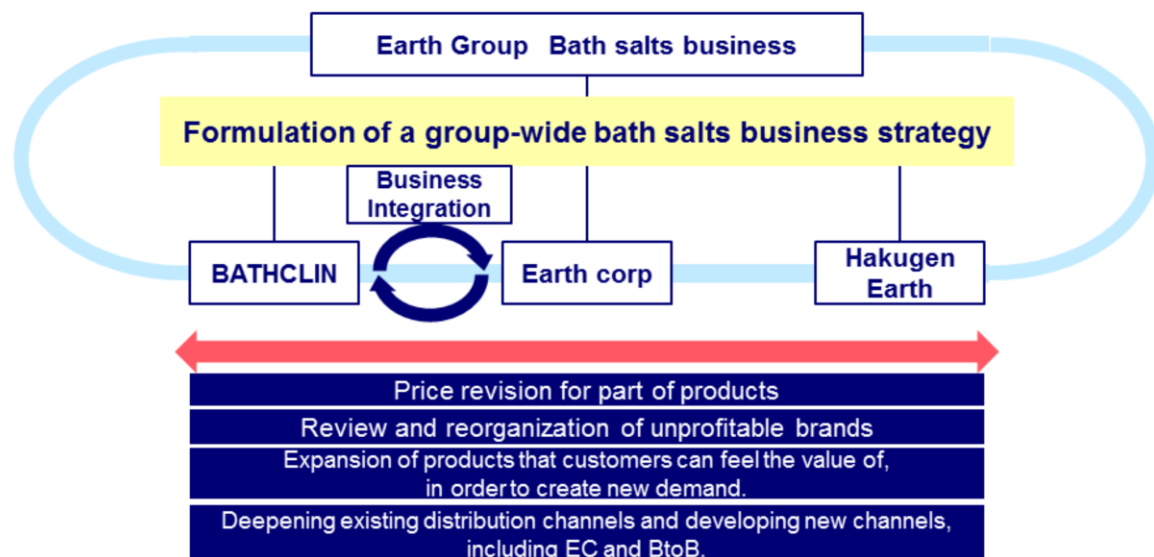
Furthermore, it has been 12 years since BATHCLIN came under the umbrella of the Earth Group. We have decided that we need to work together to increase our sense of unity, and we have announced our integration with BATHCLIN. Through this, we hope to increase our market share while improving efficiency and increasing profits, including the speed of decision-making.

Group restructuring ②

Policy on the reorganization of the bath salts business



- By formulating a group-wide bath salts business strategy and integrating the two companies Earth Corporation and BATHCLIN, the Earth Group aims to increase sales, expand market share and maximize profits.



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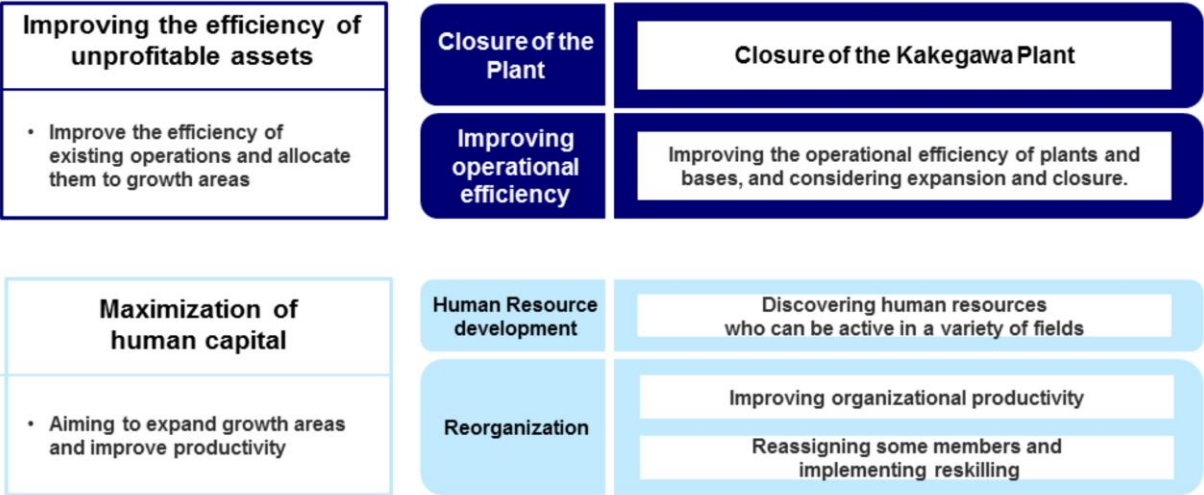
After the merger between BATHCLIN and Earth Corporation, Hakugen Earth will remain as the company within the group that handles bath salts. After the merger, the new Earth Corporation and Hakugen Earth will work together, but with clearly defined roles, to expand sales across the entire bath salt business. By aiming to maximise sales through deeper development of existing distribution channels and the development of new channels, including e-commerce and BtoB, I hope to expand the opportunities for consumers to become more familiar with BATHCLIN bath salts.

Group restructuring ③

Reallocation of group management resources



- Promote reallocation of group management resources by increasing the efficiency of unprofitable capital and maximizing human capital.



The third initiative in the group restructuring is the redistribution of management resources.

As I mentioned earlier, there are some functions that are duplicated within the group due to the management integration with BATHCLIN, so we will work to improve efficiency. In addition, as part of the strengthening of the group-wide management control system, we will promote the redistribution of the group's management resources in other areas, improve the efficiency of existing operations, and allocate them to growth areas.

Specifically, we will first of all quickly work to improve the efficiency of unprofitable assets, including the suspension of production at the Kakegawa Plant and the improvement of operational efficiency at the industrial and other bases of each group company.

Other initiatives aimed at Earnings Structure Transformation



- Approaches to Earnings Structure Transformation are progressing smoothly overall.
- From next term onwards, we expect to incur transition costs related to organizational restructuring, as well as costs related to to Earnings Structure Transformation.

	Policy	Details of the initiative	Investment amount (FY24 estimate)
Current Initiatives	Implementing Earnings Structure Transformation	<ul style="list-style-type: none"> Enhancing the management control system of Earth Corp. Considering and Implementing the integration of the two companies Considering the optimal group organization for strengthening the HD system 	540M yen
	“Selection and concentration” of brands / SKUs	<ul style="list-style-type: none"> SKU reduction has led to the promotion of disposal and inventory compression (improvement in CF) Consider reviewing some brands Enhance cooperation between production and sales (establishment of Global Production Strategy Office) 	Disposal-related costs 400M yen
	Improving brand value and WTP	<ul style="list-style-type: none"> A review of the pricing policy for some products, with a focus on Insecticides and Repellents. Active investment in bath salts and oral hygiene products and enhancing of brands. 	Advertisement costs + 1.6B yen (Difference from FY23)

Aiming to achieve the same level of profit in 2025 as we have this year, covering structural reform costs including the transition costs of the merger of the two companies and costs related to the 100th anniversary.

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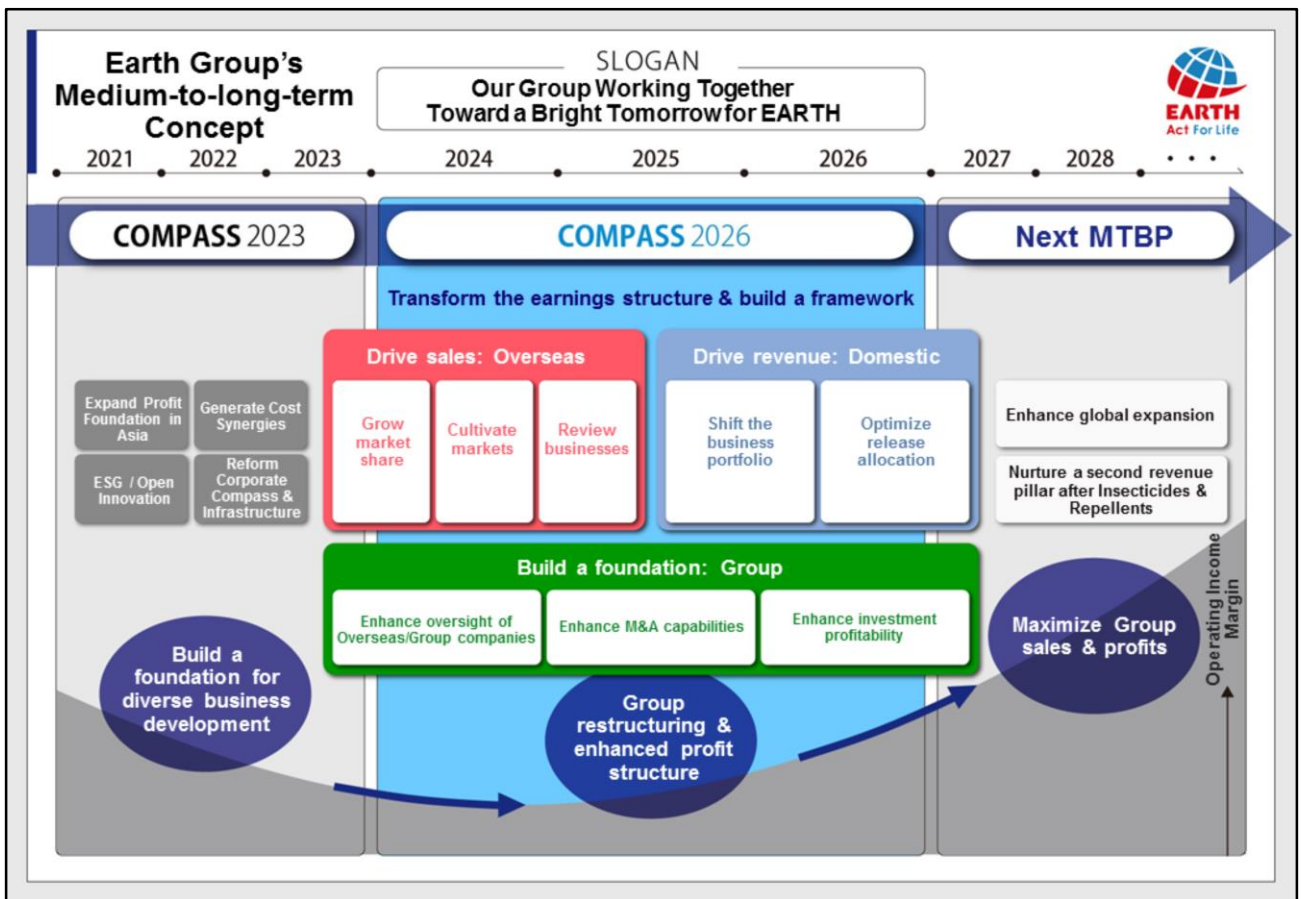
In addition to these group reorganisations, we are also currently promoting the structural reforms set out in our current medium-term business plan.

Firstly, as we announced at the time of the second quarter financial results, we are focusing on selecting and concentrating on brands and SKUs. We are currently in the process of selecting and concentrating on brands and SKUs, and are working hard to reduce SKUs and review brands.

Also, in order to improve brand value and WTP, we have been promoting the strengthening of brands through the revision of prices for some products. Aiming to strengthen the collaboration between production, distribution and sales, we have established a new organisation to reduce inventory and strengthen global collaboration.

We are also promoting the group restructuring that I mentioned earlier. We have said that the group restructuring will start next year, but we are implementing all the profit structure reforms that we can do this fiscal year.

We will announce the full financial results in February 2025. As of February 2024, we explained that the profit level for 2025 would be at the same level as this year, taking into account the reform costs. However, even if we cover the current progress of reforms, the transition costs associated with the integration of the two companies, and the costs related to the 100th anniversary, we expect that the profit level for the next fiscal year will be at the same level as the profit for this fiscal year, and we believe that it must be at the same level.



Finally, here is an image of the medium- to long-term vision of our group.

As 2025 will be the second year of the current medium-term business plan, we are currently making progress with the things we need to do, with the support of favourable weather conditions, and I hope that everyone will understand this.



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.

That is all from me. Thank you for your attention.