



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

05/10/2024

アース製薬株式会社

Executive Summary



24.1Q
Realized

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

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

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

Transform
the
earnings
structure

Revision of
Dividend
Forecast



Financial Result Highlights of FY 12/2024.1Q

Financial Result Highlights



(Unit: 0.1 billion JPY)

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

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

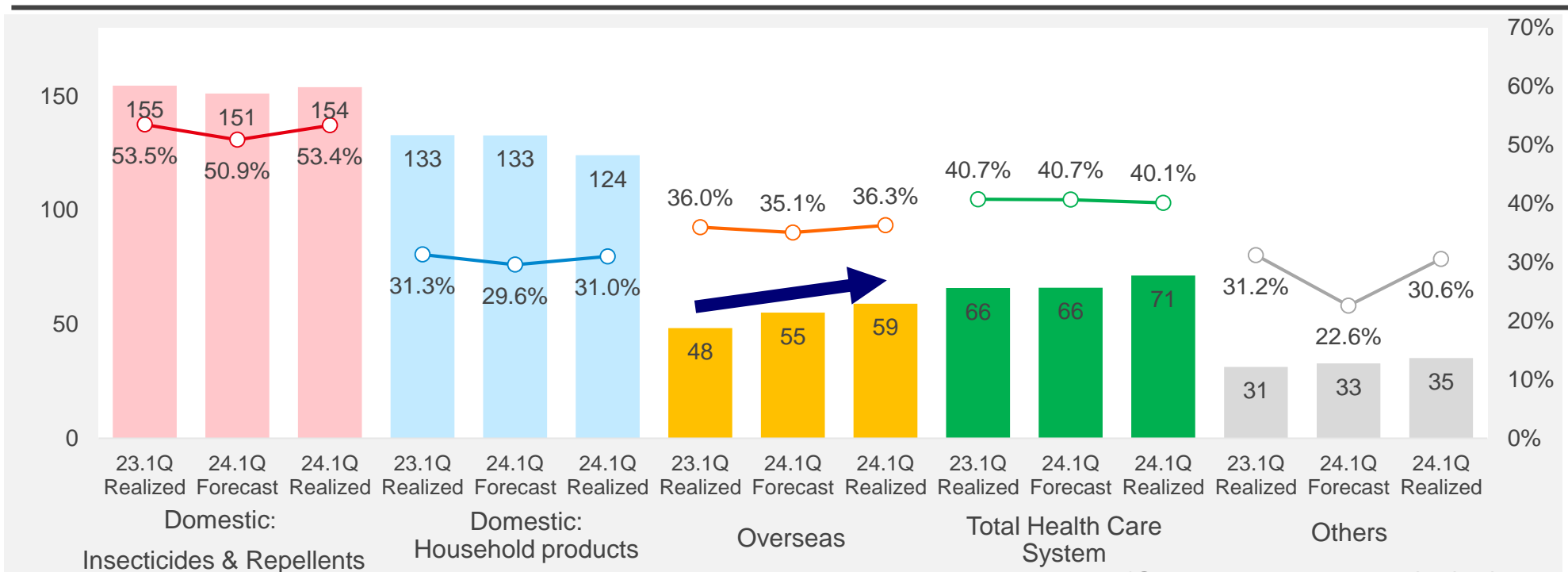
Management Accounting Basis: Sales / GPM (23vs24)



(Unit: 0.1 billion JPY)

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

Sales / GPM by Portfolio



Domestic: Insecticides & Repellents Business Status

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

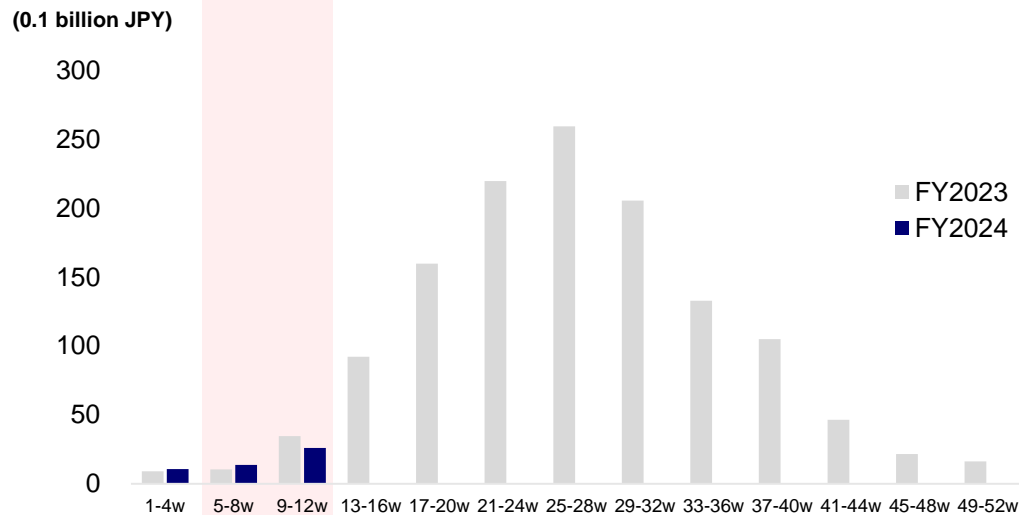
Market situation at the end of Mar, our Market share

【Market size (YoY)】

89.6%

【Earth Corp.】

59.2%



Focused New Products Trends



Gokishu !

【VS Forecast】

142%

Price Revisions Products (Total 59SKU) Trends

【YoY】

+ 0.32 billion Yen

【VS Forecast】

+ 0.07 billion yen

Status Of The Household Products Business (Domestic)

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

Bath Salts

【Market size (YoY)】

102.6%

【Earth Corp.】

44.8%

Trends in Core Products

- ONPO

Vs. forecast **93%**



- KIKIYU

Vs. forecast **75%**



Oral Care

【Market size (YoY)】

102.0%

【Earth Corp.(Mouthwash)】

18.0%

Trends in Core Products

- MONDAHMIN (regular)

Vs. forecast **93%**

- PREMIUM CARE

Vs. forecast **75%**



Overseas: Business Status (ASEAN)



(Unit: 0.1 billion JPY)

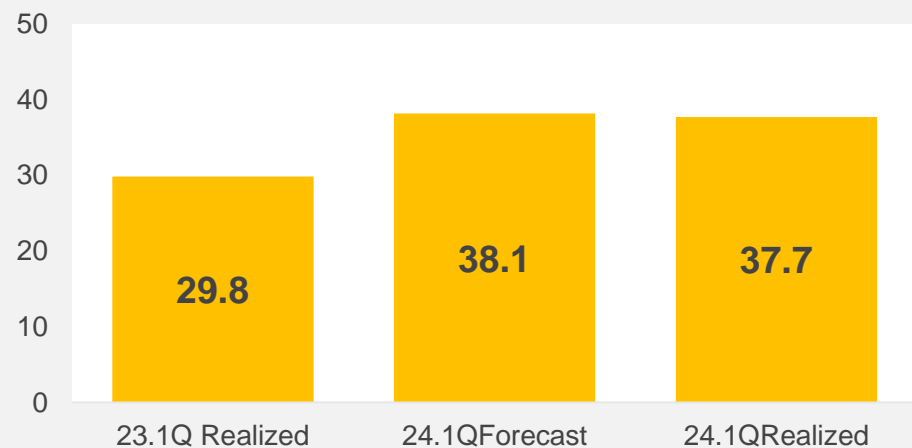
ASEAN Core Area (Thailand & Vietnam)

Thailand

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

Vietnam

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



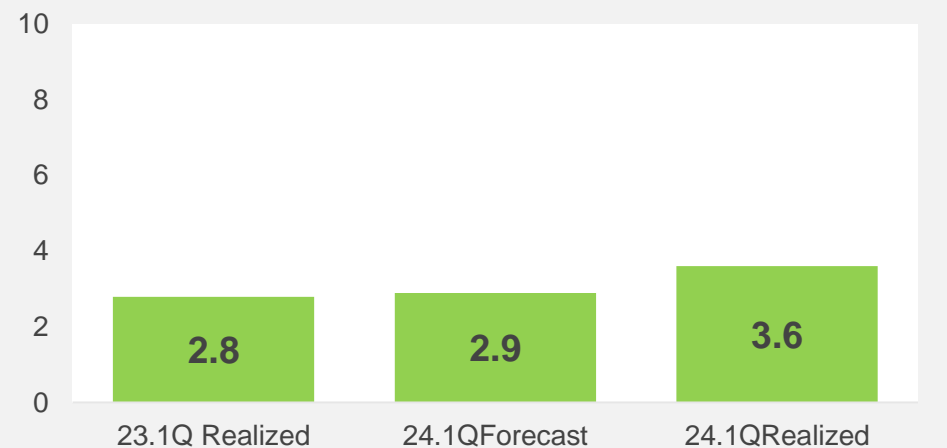
ASEAN Expansion Area (Malaysia & The Philippines)

Malaysia

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

Philippines

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



Overseas: Business Status (China & Cross-border)



(Unit: 0.1 billion JPY)

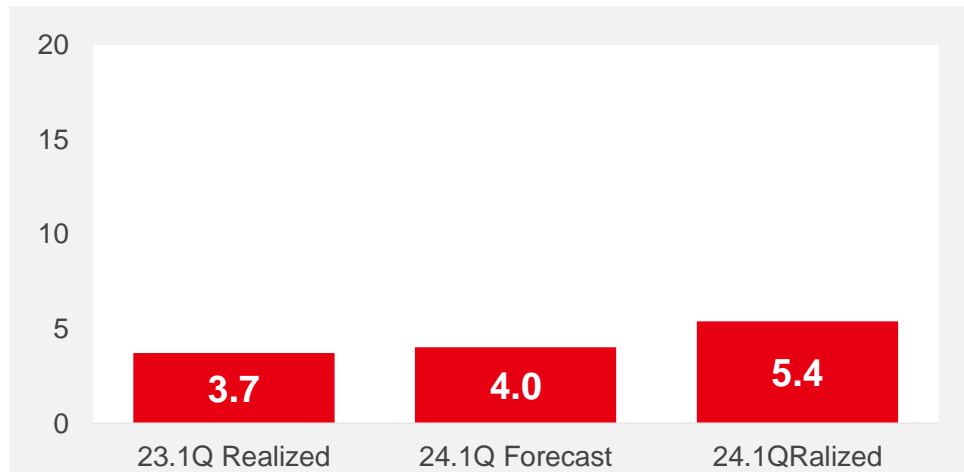
China

Locally

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

Cross-border

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



Cross border business

ME

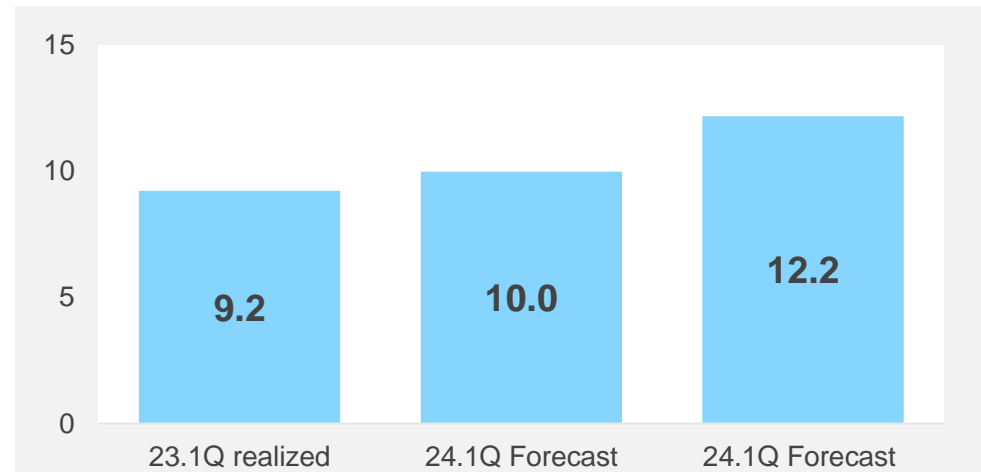
- Expanding Insecticides & Repellents.
- Continued strong performance from the PY, with contributions from the introduction of new products in addition to the prior introduction of core products.

Hong Kong

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

Taiwan

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

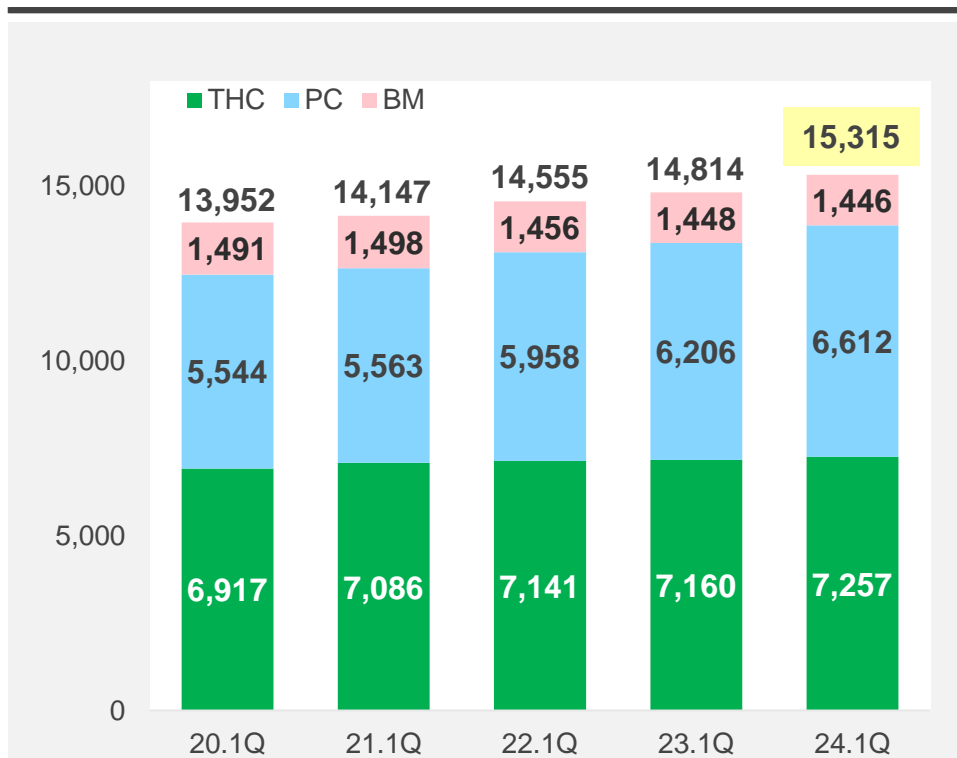


Total Health Care System: Business Status



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

Total Health Care System - Trend in Annual Contract Numbers



Total Health Care System Main Initiatives

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

Operating Income Change Factors (vs. Forecast)

(Unit: 0.1 billion JPY)

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

OI Decrease Factors (▲0.9)

OI Increase Factors (+22.7)

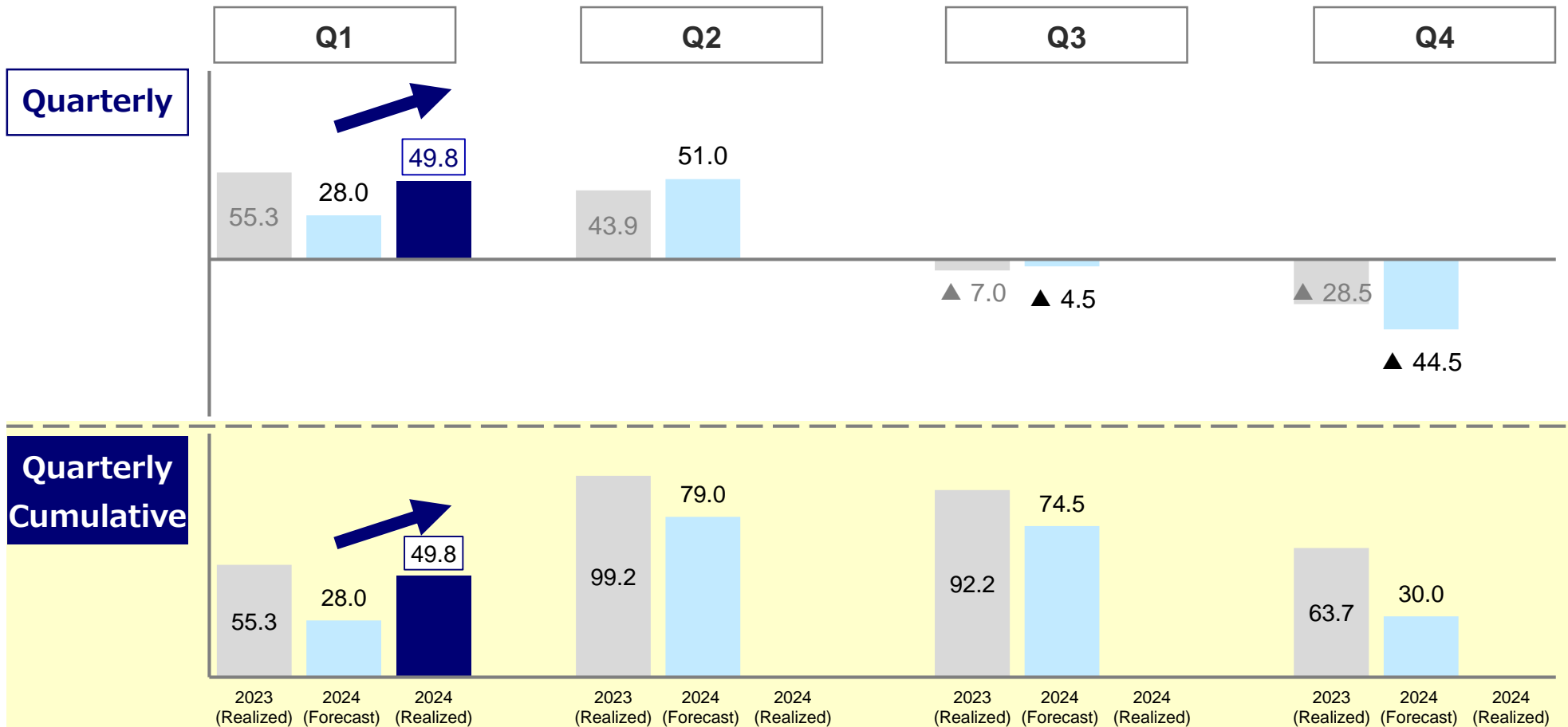


Progress Toward The Operating Income Target (Quarterly / Cumulative)



(Unit: 0.1 billion JPY)

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



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

SLOGAN

Our Group Working Together
Toward a Bright Tomorrow for EARTH



2021 2022 2023 2024 2025 2026 2027 2028 ...

COMPASS 2023

COMPASS 2026

Next MTBP

Transform the earnings structure & build a framework

Drive sales: Overseas

Drive revenue: Domestic

Expand Profit
Foundation in
Asia

Generate Cost
Synergies

Grow
market
share

Cultivate
markets

Review
businesses

Shift the
business
portfolio

Optimize
release
allocation

Enhance global expansion

ESG / Open
Innovation

Reform
Corporate
Compass &
Infrastructure

Nurture a second revenue
pillar after Insecticides &
Repellents

Build a foundation: Group

Enhance oversight of
Overseas/Group companies

Enhance M&A capabilities

Enhance investment
profitability

**Maximize Group
sales & profits**

Build a
foundation for
diverse business
development

Group
restructuring &
enhanced profit
structure

Operating Income
Margin

Progress Toward The Profitability Structural Transformation



- **SKU reduction :**
 - ▶ As part of the category strategy renewal, selecting the number of SKUs to be reduced.
 - ▶ List is being prepared to achieve the 30% reduction target.
- **Cash efficiency improvement due to inventory reduction**
 - ▶ Inventory reduction from the second half of the previous year and renewal of the core system resulted in a significant inventory reduction of 5 billion yen YoY as of 1Q.
 - ▶ Debt burden was reduced by 4.0 billion yen, securing debt capacity for investment in growth.
- **Hedge against foreign exchange risk**
 - ▶ Hedged against downside risk of profit by using foreign exchange forward contracts in response to the rapid depreciation of the yen.

2024: Plan Highlights



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

(Unit: 0.1 billion JPY)

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



Earth Corporation

**Supplementary Materials;
FY12/2024 1Q Results**

Consolidated: Statement of Income



(Unit : million JPY)

	1Q FY23	1Q FY24	1Q FY24	VS YoY	vs.FCT			FY12/24	
	Realized	Forecast	Realized	+/-	YoY	+/-	FCT	Forecast	YoY
Sales	40,819	42,000	42,049	1,230	103.0%	49	100.1%	165,000	25.5%
Cost of sales	23,067	24,741	23,856	789	103.4%	▲ 884	96.4%	99,168	24.1%
Gross profit	17,752	17,258	18,192	440	102.5%	933	105.4%	65,831	27.6%
SG&A expenses	12,220	14,458	13,214	993	108.1%	▲ 1,244	91.4%	62,831	21.0%
Operating profit	5,532	2,800	4,978	▲ 553	90.0%	2,178	177.8%	3,000	166.0%
Non-operating income	126	100	182	55	144.1%	82	182.2%	700	26.0%
Non-operating expenses	13	0	12	▲ 1	88.3%	12		140	8.6%
Ordinary profit	5,645	2,900	5,148	▲ 496	91.2%	2,248	177.5%	3,560	144.6%
Extraordinary income	4	0	4	0	107.2%	4		0	
Extraordinary losses	13	0	4	▲ 8	34.4%	4		60	7.5%
Net income before income taxes	5,636	2,900	5,149	▲ 487	91.4%	2,249	177.6%	3,500	147.1%
Income taxes	1,688	800	1,543	▲ 145	91.4%	743	192.9%	1,370	112.7%
Net income	3,947	2,100	3,605	▲ 341	91.3%	1,505	171.7%	2,130	169.3%
Net income attributable to non-controlling interests	58	0	75	17	130.4%	75		340	22.3%
Net income attributable to owners of parent	3,889	2,100	3,530	▲ 359	90.8%	1,430	168.1%	1,790	197.2%
Gross profit ratio	43.5%	41.1%	43.3%	▲ 0.2pt	0.0pt	2.2pt	0.0pt	39.9%	
Operating income ratio	13.6%	6.7%	11.8%	▲ 1.7pt	0.0pt	5.2pt	0.0pt	1.8%	
Net income before income	13.8%	6.9%	12.2%	▲ 1.6pt	0.0pt	5.3pt	0.0pt	2.1%	

Consolidated: Sales by Segment



(Unit : million JPY)

	1Q FY23	1Q FY24	1Q FY24	VS YoY	YoY	vs.FCT	vs.FCT	FY12/24 Forecast	Progress ratio
	Realized	Forecast	Realized	+/-		+/-			
Insecticides & Repellents	19,503	19,790	20,509	1,005	105.2%	718	103.6%	65,175	31.5%
Oral hygiene products	1,867	1,989	1,722	▲ 144	92.2%	▲ 266	86.6%	8,916	19.3%
Bath salts	6,174	6,429	5,772	▲ 402	93.5%	▲ 656	89.8%	26,375	21.9%
Other household products	7,480	8,013	7,893	413	105.5%	▲ 120	98.5%	34,319	23.0%
Household products	15,522	16,432	15,388	▲ 133	99.1%	▲ 1,043	93.6%	69,611	22.1%
Pet products & others	2,291	2,651	2,909	617	126.9%	257	109.7%	10,292	28.3%
Household products business subtotal	37,318	38,874	38,807	1,489	104.0%	▲ 67	99.8%	145,079	26.7%
General environment & sanitation business subtotal	6,590	6,593	7,125	535	108.1%	532	108.1%	30,000	23.8%
Total sales include internal sales	43,908	45,468	45,933	2,025	104.6%	464	101.0%	175,079	26.2%
(Adjustments)	▲ 3,088	▲ 3,468	▲ 3,883	▲ 794		▲ 415		▲ 10,079	
Total sales	40,819	42,000	42,049	1,230	103.0%	49	100.1%	165,000	25.5%

(Composition ratio)

Insecticides & Repellents	44.4%	43.5%	44.7%	0.2pt	1.1pt	37.2%
Household products	35.4%	36.1%	33.5%	▲ 1.8pt	▲ 2.6pt	39.8%
Pet products & others	5.2%	5.8%	6.3%	1.1pt	0.5pt	5.9%
Household products business	85.0%	85.5%	84.5%	▲ 0.5pt	▲ 1.0pt	82.9%
General environment & sanitation business	15.0%	14.5%	15.5%	0.5pt	1.0pt	17.1%

Consolidated: SG&A Expenses



(Unit : million JPY)

	1Q FY23	1Q FY24	1Q FY24	VS YoY	vs.FCT			FY12/24 Progress	
	Realized	Forecast	Realized	+/-	YoY	+/-	FCT	Forecast	ratio
Personal expenses	5,205	5,687	5,539	334	106.4%	▲ 147	97.4%	23,215	23.9%
Shipping costs	1,018	1,206	1,027	9	100.9%	▲ 178	85.2%	5,049	20.3%
Strage costs	687	700	690	3	100.4%	▲ 9	98.6%	2,859	24.1%
Advertising costs	707	1,225	988	280	139.7%	▲ 237	80.7%	8,493	11.6%
Sales promotion expenses	252	464	171	▲ 81	67.9%	▲ 293	36.9%	1,062	16.1%
R&D expenses	711	897	722	10	101.5%	▲ 174	80.5%	3,803	19.0%
Depreciation expenses	394	492	477	83	121.1%	▲ 15	97.0%	2,024	23.6%
Goodwill amortization	21	36	34	13	161.9%	▲ 1	94.4%	146	23.3%
Travel&transportation expenses	314	382	341	26	108.6%	▲ 41	89.3%	1,690	20.2%
Entertainment expenses	112	126	171	59	152.7%	45	135.7%	664	25.8%
Comission paid	330	395	382	51	115.8%	▲ 13	96.7%	1,558	24.5%
Sales comission	328	322	319	▲ 9	97.3%	▲ 2	99.1%	1,309	24.4%
Miscellaneous expenses	137	296	128	▲ 9	93.4%	▲ 168	43.2%	1,915	6.7%
Others	2,004	2,230	2,225	224	111.0%	▲ 11	99.8%	9,044	24.6%
Total	12,220	14,458	13,214	993	108.1%	▲ 1,244	91.4%	62,831	21.0%

(Composition ratio)

Personal expenses ratio	12.8%	13.5%	13.2%	0.4pt	▲ 0.4pt	14.1%
Advertising costs ratio	1.7%	2.9%	2.3%	0.6pt	▲ 0.6pt	5.1%
R&D expenses ratio	1.7%	2.1%	1.7%	▲ 0.0pt	▲ 0.4pt	2.3%

Consolidated: Balance Sheet



(Unit : million JPY)

		End of	End of	Final comparison	End of	VS 23
		1Q FY23	1Q FY24	+/-	FY23	+/-
Current assets	Cash & deposits	15,765	14,604	▲ 1,161	17,505	▲ 2,901
	Trade receivable	35,094	34,871	▲ 222	25,639	9,231
	Inventories	38,628	33,536	▲ 5,092	28,266	5,269
	Others	3,203	2,804	▲ 399	2,758	45
Non-current assets	Property, plant & equipment	29,589	31,554	1,965	31,383	171
	Intangible assets	7,802	8,738	936	8,774	▲ 35
	Investments & other assets	16,437	18,876	2,439	18,079	797
Total assets		146,520	144,986	▲ 1,533	132,407	12,579
Current liabilities	Trade payables	39,354	37,699	▲ 1,654	30,005	7,694
	Short-term borrowings	18,000	14,000	▲ 4,000	10,000	4,000
	Others	17,386	16,963	▲ 423	17,488	▲ 525
Non-current liabilities	Long-term borrowings	0	0	0	0	0
	Others	2,350	2,731	381	2,912	▲ 181
Total liabilities		77,092	71,394	▲ 5,697	60,406	10,988
Net assets	Total shareholders' equity	60,918	62,335	1,417	61,415	919
	Total accumulated other comprehensive income	3,457	5,916	2,458	5,130	785
	Non-controlling interests	5,052	5,340	287	5,453	▲ 113
Total net assets		69,428	73,591	4,163	72,000	1,590

Consolidated: Capital expenditure, Depreciation expenses

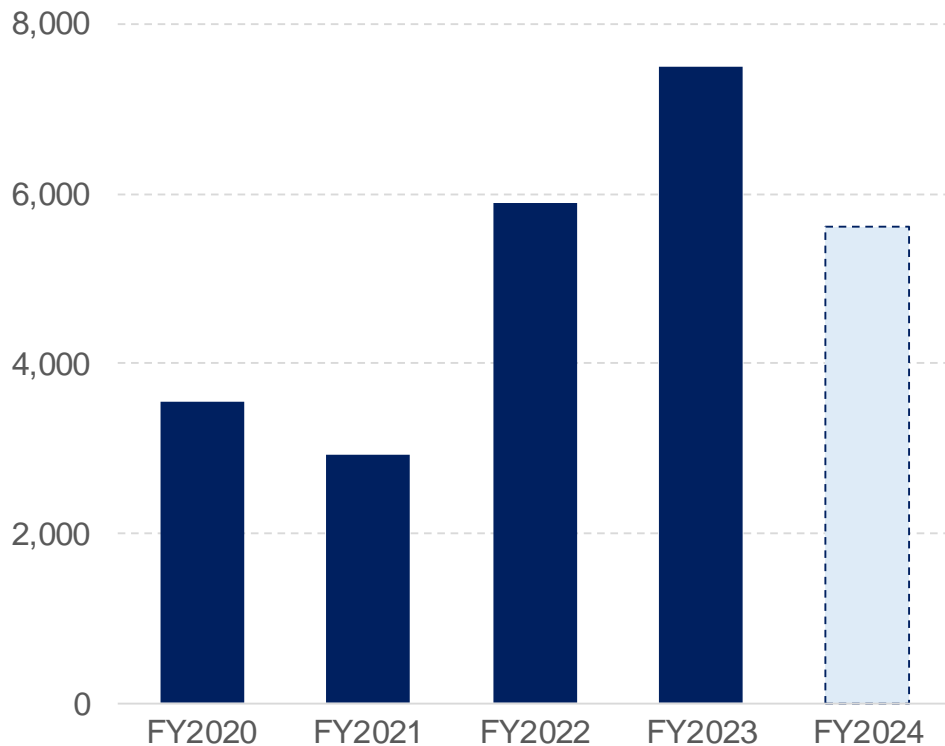


(Unit : million JPY)

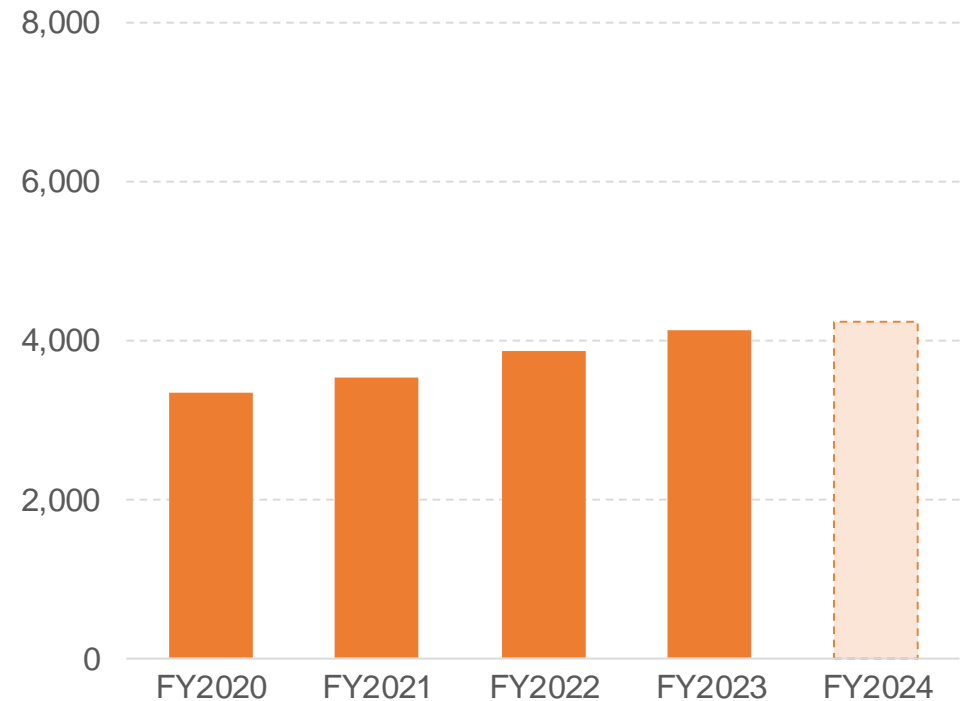
	FY2020	FY2021	FY2022	FY2023	FY2024
	Realized	Realized	Realized	Realized	Forecast
CAPEX	3,548	2,928	5,878	7,504	5,600

	FY2020	FY2021	FY2022	FY2023	FY2024
	Realized	Realized	Realized	Realized	Forecast
Depreciation expenses	3,334	3,537	3,853	4,118	4,234

CAPEX



Depreciation expenses



Overview of Group Companies' Business Performance



(Unit : million JPY)

Earth Corporation				BATHCLIN Corporation				Hakugen Earth Co., Ltd.				Earth Pet Co., Ltd.			
	FY23.1Q	FY24.1Q	FY24.1Q	FY23.1Q	FY24.1Q	FY24.1Q	FY23.1Q	FY24.1Q	FY24.1Q	FY23.1Q	FY24.1Q	FY24.1Q	FY23.1Q	FY24.1Q	FY24.1Q
	Realized	Forecast	Realized	Realized	Forecast	Realized	Realized	Forecast	Realized	Realized	Forecast	Realized	Realized	Forecast	Realized
Sales	23,320	23,184	23,672	3,686	3,791	3,373	3,766	4,069	3,649	1,601	1,625	1,688			
Gross profit	10,348	9,563	10,392	1,458	1,384	1,233	1,131	1,340	1,189	641	575	611			
Operatig income	4,629	2,428	4,054	187	50	▲ 66	▲ 25	141	60	105	20	45			
Earth(Thailand)Co.,Ltd.				Earth Corporation Vietnam				EARTH HOME PRODUCTS (MALAYSIA)				EARTH HOMECARE PRODUCTS (PHILIPPINES)			
	FY23.1Q	FY24.1Q	FY24.1Q	FY23.1Q	FY24.1Q	FY24.1Q	FY23.1Q	FY24.1Q	FY24.1Q	FY23.1Q	FY24.1Q	FY24.1Q	FY23.1Q	FY24.1Q	FY24.1Q
	Realized	Forecast	Realized	Realized	Forecast	Realized	Realized	Forecast	Realized	Realized	Forecast	Realized	Realized	Forecast	Realized
Sales	1,642	2,051	2,070	1,341	1,763	1,698	33	42	81	245	246	278			
Gross profit	507	654	687	553	704	695	▲ 1	1	16	112	110	152			
Operatig income	204	284	304	193	156	217	▲ 36	▲ 54	-38	40	▲ 26	60			
Earth Corporation (Shanghai)				Earth Corporation (Tianjin)				Earth Corporation (Suzhou)				Earth Environmental Service Co.,Ltd.			
	FY23.1Q	FY24.1Q	FY24.1Q	FY23.1Q	FY24.1Q	FY24.1Q	FY23.1Q	FY24.1Q	FY24.1Q	FY23.1Q	FY24.1Q	FY24.1Q	FY23.1Q	FY24.1Q	FY24.1Q
	Realized	Forecast	Realized	Realized	Forecast	Realized	Realized	Forecast	Realized	Realized	Forecast	Realized	Realized	Forecast	Realized
Sales	371	401	538	901	1,210	1,277	406	469	476	6,590	6,593	7,125			
Gross profit	146	111	235	146	160	195	72	62	67	2,683	2,681	2,859			
Operatig income	▲ 20	▲ 39	114	65	48	104	31	22	30	262	33	290			

Operating Income Change Factors (YoY)

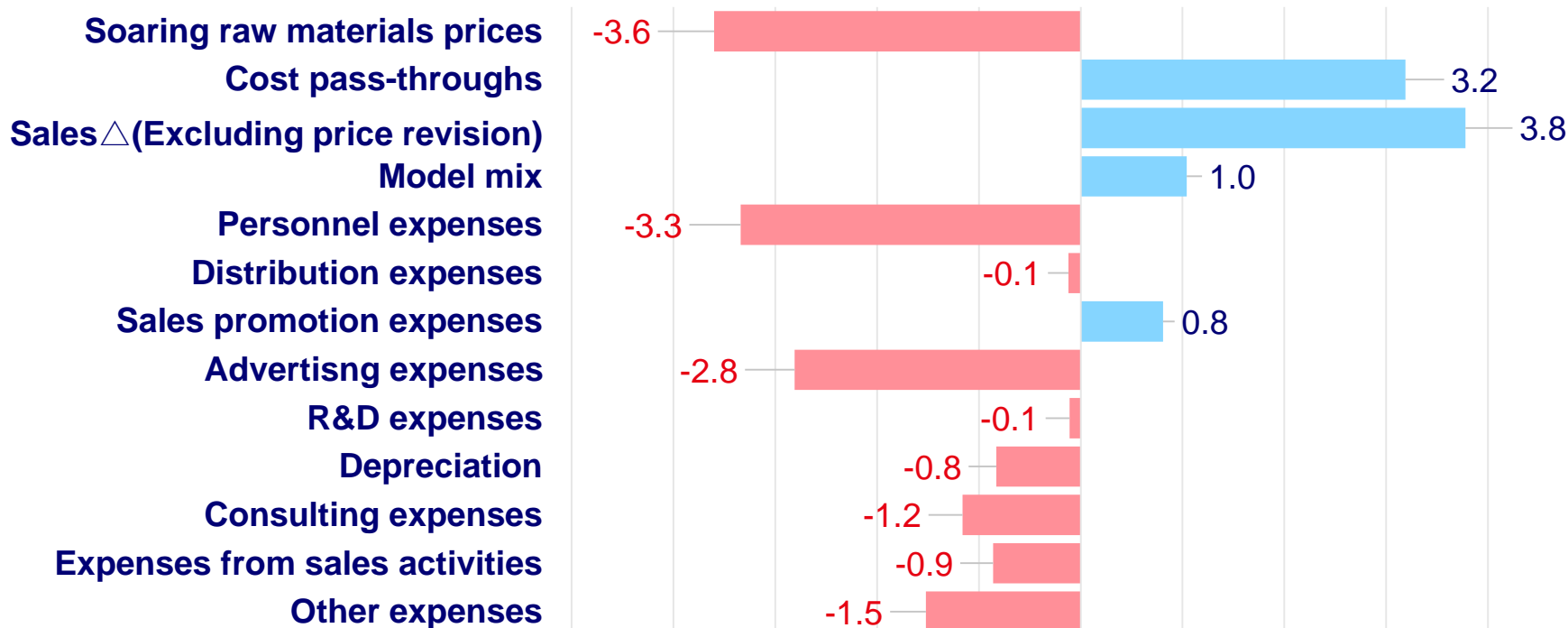


(Unit: 0.1 billion JPY)

- Raw material price rises are more moderate than in the past, but still have an impact on costs, which in 1Q were largely offset by the effects of price revision measures.
- In addition to personnel expenses, costs increased due to aggressive advertising and increased depreciations.

Decrease factors (-14.4)

Increase factors (+8.8)



Shareholder Returns

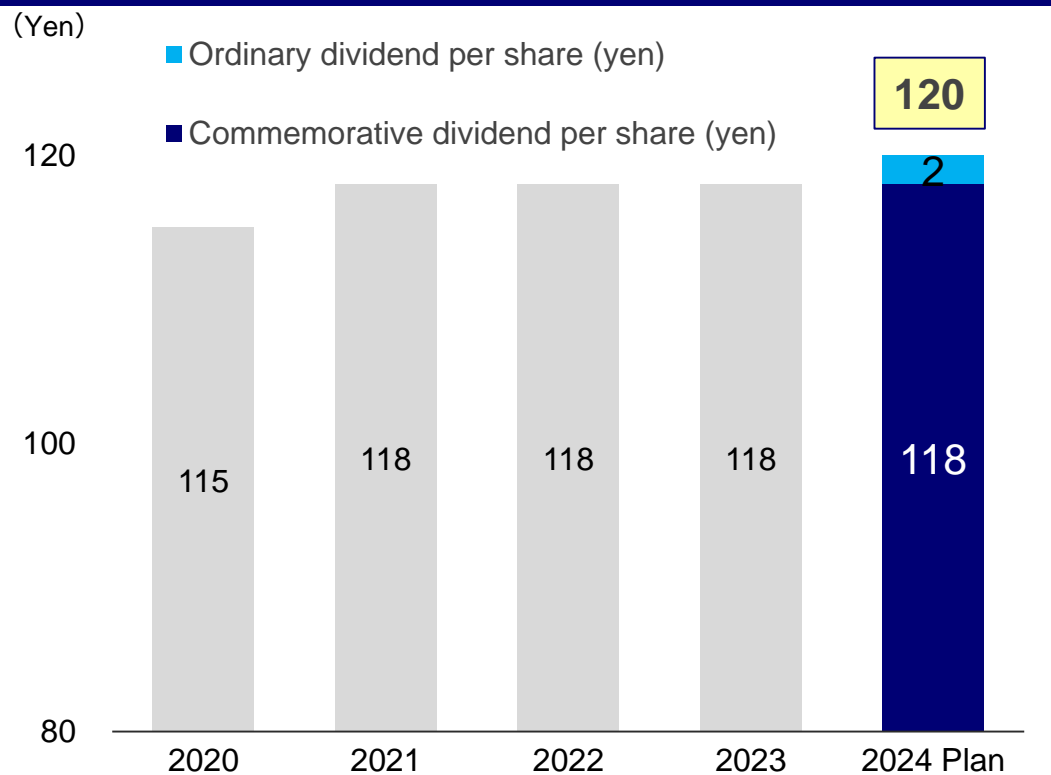
- Based on stable dividends, flexibly consider dividend increases, share buybacks, etc., depending on business performance and level of retained earnings.
- Plans to pay a dividend of **120 yen per share in 2024, including a commemorative dividend of 2 yen per share** (disclosed on 5/10).
- Separately, Planning to buy back 2 billion yen of its own shares by the end of July 2024 (disclosed on 3/8).

Dividend-related KPIs

DOE (Dividend on Equity Ratio)

2023年 **4.0%** → 2024 (Forecast) **4% level**

Ordinary Dividend Per Share - Trend





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.