

Earth Corporation
Follow-up meeting for 1Q of the financial year ending December 2024
Summary of questions and answers

[Financial Results for 1Q of FY12/2024]

Q : Will the 2.17 billion yen increase in operating income over the plan remain as a difference in the plan from the second quarter onward? Also, is there a possibility that the gross profit increase 930 million yen will also remain?

A : Increase of operating income of 2.17 billion yen is a little higher than the actual amount. SG&A expenses were 1.24 billion yen lower than plan, but most of this will be absorbed in the coming months. Gross profit is also positive due to the effect of price revisions and other factors. However, it is difficult to say at this point whether or not the conservative estimates made in the 1Q will continue into the 2Q and beyond, so please understand that it is difficult to give a clear answer.

Q : Please explain the “model mix and others of 760 million yen” in the factors behind the change in operating income.

A : There is a change in the mix of aspects: while domestic household products are in a difficult situation, domestic insecticides & repellents are progressing as planned, and overseas is doing well. There is also the effect of price revisions.

Q : Please tell us about the contribution of the BARTH business to your performance in the first quarter.

A : The BARTH business contributed from March last year and from January this year, so a simple comparison of sales and growth rates would not make sense, so we will refrain from answering this question. However, please be aware that we are in a situation of steady growth this fiscal year due to the launch of new products and other factors.

Q : (See page 6 of the Supplementary Materials.) Please explain about BATHCLIN, Earth Environmental Service , and China, which have large differences from the plan.

A : For BATHCLIN, sales of bath salts have fallen short of the plan. We are in the process of implementing recovery measures for the highest-demand season from the fall. For Earth Environmental Services, in addition to a conservative plan, expenses such as personnel costs are lower than the plan. The increase of sales and decrease of expenses resulted in an exceedance of the plan. For China, sales and profits are increasing due to the effect of a change in strategy.

Q : Will the higher performance than the plan of Earth Environmental Services and China continue?

A : In China, we have shifted strategies and the effects are beginning to emerge, but we are still

closely monitoring progress, so we cannot say at this time that we will continue to do so. As for Earth Environmental Service, there is a steady increase in the number of contracts, so we have some expectations. However, given the rise in labor costs and other factors, it is unclear whether the increase in 1Q profits will continue.

Q : (See page 2 of the Supplementary Materials) Please explain why other household products are up 5.5% y/y. Are insect repellent for clothing struggling?

A : Our Group's insect repellents for clothing are also in a difficult situation. Other household products include insect repellent for clothing and deodorizing air fresheners. The growth is driven by household and clothing detergents handled overseas.

Q : (See page 2 of the Supplementary Materials.) What is the reason for the positive YoY growth in pet supplies and others? Have you revised prices?

A : We have not revised prices this fiscal year, and the increase in volume has had an impact. However, this category includes not only pet supplies but also semi-finished products, which also had an impact. Growth in pet supplies alone will add about 100 million yen.

[About domestic insecticides & repellents]

Q : Please tell us about the status of the insecticide market from January to March.

The market seems to have declined in the single month of March, but is this due to the weather?

A : In the single month of March, the market was good in March last year, and we believe that this is a reaction to that. However, the progress rate of insecticides from January to March as a percentage of the year is low, so we believe it is necessary to monitor the situation going forward. Note that since April, the weather has been very favorable, and the market is currently growing at double-digit rates.

Q : Do bed bug-related products contribute to your business performance?

A : Although it is difficult to clearly classify the products as bed bug products, there is some positive impact from products that claim to be effective against bed bugs. However, the bed bug market as a percentage of the overall insect care market is small, and we believe that the effect of customer demand stimulated by reports of bed bug infestations is more significant than a direct contribution to the market.

[About domestic household products]

Q : What is the range of fluctuation in the market share of bath salts and mouthwashes?

A : Year-on-year, sales of bath salts and mouthwashes declined by 1.1 and 0.6 points, respectively.

Q : What is your plan to recover from the decline in the market share of household products?

A : We are in the process of revamping our category strategy and reviewing the allocation of marketing investments, so I will refrain from giving details at this time.

[About Overseas]

Q : What are the sales growth rates in Thailand, Vietnam, and China in local currency terms?

A : The growth rate in Thailand is 14%, in Vietnam 17.5%, and in China 35%.

Q : What was the rate of change in overseas margins as of 1Q?

A : (See page 4 of the document.) This is on a managerial accounting basis, but it shows overseas sales and gross profit margin. As of 1Q, the gross profit margin was 36.3%, up 0.3 points from the previous year and 1.2 points from the plan.

Q : What is the future outlook for “ARS Mos shooter,” including its contribution to sales?

A : This product will be launched in Thailand in July. This single product alone will not have a significant impact on sales for this fiscal year. However, we would like to assess future expansion based on the sales situation in Thailand.

[Price Revisions]

Q : Will the price revision for this fiscal year include household products?

A : The 59 SKUs subject to price revision are insecticides & repellents only.

Q : Are price revisions becoming easier to implement? If so, please include the reasons.

A : It depends on the company's presence in each category. Insecticides have a high market share, so it is relatively easy to revise prices. On the other hand, it is difficult to revise prices for bath salts and mouthwashes. We are working on laying the groundwork to create a brand that people will buy even if the price is high.

[The impact of raw material price hikes]

Q : Will the impact of raw material price hikes in this fiscal year proceed as expected? Since you have forward exchange contracts in place, will you be less susceptible to the effects of yen depreciation?

A : We cannot control the prices of raw materials procured through other companies such as trading companies. However, we use forward exchange contracts to hedge the risk of what we pay. We assume a raw material price impact of 1.1 billion yen for this fiscal year. Although we were conservative in our view of the exchange rate when we drew up our plan, we will continue to monitor trends closely as the yen has weakened more than we had anticipated. However, we believe that we will be able to compensate for this by increasing sales and streamlining expenses.

[About the Mid-Term Business Plan]

Q : If profits are stronger than expected, do you have any thoughts on completing the measures in the mid-term plan as soon as possible?

A : Naturally, we would like to complete them as soon as possible. However, since some measures will be implemented over a certain period of time, the three-year time frame will not change at this time.