

Earth Corporation
Earnings briefing materials for 1Q of the fiscal year ending December 2025
Summary of questions and Answers

【Insecticides & Repellents segment (Slide 5)】

Q: Please explain why the effects of the price revision for Insecticides & Repellents are lower than forecast. While sales of Insecticides & Repellents have been strong, the effects of the price revision have fallen short of expectations, which is concerning.

A: As of the end of March, the main factors were that progress in the Insecticides & Repellents market was still limited, and that the forecast had been set slightly aggressively. It is also true that we had felt some traction regarding the price revision situation in 2023 and 2024. Going forward, we expect the cycle of shipping price-revised products, having them absorbed at retail, and leading to repeat purchases to take effect, thereby realizing the benefits of the price revisions. However, we recognize the need to closely monitor the absorption rate at retail, as this will depend on weather conditions. In addition, although shipments of "Earth No-Mat", which is included in this term's price-revised products, fell short of the forecast, shipments of other products progressed, and overall sales of Insecticides & Repellents exceeded the forecast.

Q: Due to the rebound from last year's weather, April sales are below last year's levels. Even if this year is not as severe as last year, with forecasts predicting a heatwave, how much of a decline in sales would be acceptable to achieve this quarter's target?

A: It is difficult to provide a specific figure. As a premise, we are assuming that this quarter's insect care product market will be on par with last year's. We expect stable sales after week 17 or week 21, which is the peak season for Insecticides & Repellents. Weak sales in weeks 13 to 16 (pink area in the graph) are due to lower temperatures than last year. The forecast for this week (Week of May 12) is for temperatures above 25 degrees Celsius, so we expect sales to pick up.

Q: Is there a temperature range in which insects are most active?

A: It varies depending on the type of pest, but generally speaking, they are said to be most active at temperatures between 25°C and 30°C. At temperatures above 35°C, their activity slows down. On the other hand, cockroaches thrive in the early spring (the light blue area in the graph), and when temperatures are high during this period, they become more active and are more likely to be noticed by customers. As a result, customers tend to purchase them more consciously, leading to increase consumption.

【Other segments】

Q: (Slide 6) Although the bath salt market grew at the end of March, Earth's share declined. Should we be cautious about the outlook for the bath salt business in the second quarter?

A: The bath salt market in the second quarter (April to June) is smaller than in the first quarter (January to March) and the fourth quarter (October to December). We believe that the decline in our share is largely due to changes in the market structure. The market share of powdered type, such as “Bathclin” and “Bathroman,” which are our group's strengths, has decreased, while the market share of tablet type, where our share is relatively low, has increased. We believe that these changes have led to the decline in market share. Although shipments exceed the forecast, we will continue to monitor the situation closely.

Q: Please share your views on consumer trends for homecare products in Japan. What types of homecare products are selling well? What are the factors affecting the gross margin for homecare products?

A: There is variation depending on the product. For example, bath salts are showing positive growth in the initial shipping phase, partly due to a rebound from last year. Regarding mouthwash, considering that the market is at approximately 97% of the previous year, we speculate that this may be influenced by consumers' heightened awareness of cost-saving measures. On the other hand, we believe that gross profit margins have been affected by cost reductions such as formula changes, as well as the stabilization of raw material prices. The gross profit margin for domestic homecare products was 31.7% in the first quarter of 2024 and 34.5% in the first quarter of 2025, an improvement of approximately 3 points. At this stage, it is unclear whether this level can be maintained, but we expect it to remain positive compared to the previous year or our forecast.

Q: Are there any effects from changes in channels in Japan?

A: Online channels are performing well. Although there have been changes in channels, offline channels remain an important channel for us. Our sales team is working to respond to both channels.

Q: (Supplementary Material 5) Please explain the reasons for the decrease in profits in the General Environment and Sanitation Business in the first quarter and the likelihood of achieving the annual forecast.

A: The operating profit decreased by approximately 80 million yen compared to the previous year. The main reasons are an increase in labor costs at subcontracting companies providing service construction, and accounting treatment related to bonuses at Earth Environmental Services Co., Ltd. which operates this business. However, progress is proceeding very smoothly compared to the forecast. The annual operating profit target is 1.5 billion yen, and as of today, we believe we have the capacity to achieve this level of profit.

【Overseas Business】

Q: Please provide the growth rates in local currencies for each country in your overseas business.

A: Thailand +8.4%, Vietnam +0.6%, Malaysia +60.5%, Philippines -5.4%, China +19.5%.

Q: Please provide your outlook for overseas business for the second quarter.

A: To supplement the situation in the first quarter, Vietnam, the Philippines, and China are facing difficult conditions. In Vietnam, we have traditionally conducted aggressive promotions during the Tet holiday period from late January to early February, but this year, the promotional effect was lower than expected which we recognize as a factor contributing to the failure to meet our targets. Naturally, we are working to recover in the second quarter and beyond. In the Philippines, there was a shortage of rat control products. We have already implemented measures to resolve the shortage, and we expect the impact to gradually subside in the second half of the year. We have also received reports that the slow start of Insecticides & Repellents in China is a phenomenon that could also occur in Japan, and we are monitoring the situation closely and taking appropriate measures.

Q: What is the progress of your oral care strategy in Thailand?

A: Our market share is still low, so we are working hard to increase it.

Q: Have there been any changes in the presence of Japanese brands in overseas markets, particularly in ASEAN?

A: This is limited to our group, but the presence of our group's products in overseas markets, including ASEAN, is not as high as in Japan. As we are working to achieve the top share in Insecticides & Repellents in Thailand, our group is currently in the process of enhancing its presence in overseas markets. We are not aware of the situation at other companies, but even if there are events that affect Japanese brands, we do not expect them to have a significant impact on our group.

【SG&A Expenses】

Q: (Slide 10) Please explain why advertising expenses are 400 million yen lower than forecast.

A: This is due to differences in the timing of recognition between the planning stage and actual usage.

From an investment perspective, we expect to use the budget as planned throughout the year.

Q: Please provide an update on the usage of structural reform expenses in the first quarter.

A: We are using them as planned. The main expenses include consulting fees related to the integration with BATHCLIN and system integration-related costs. We have established a schedule for the integration, and expenses will be incurred in accordance with that schedule. Therefore, there is no cause for concern at this time.

End.