

Earth Corporation
Earnings briefing materials for Q2 of the fiscal year ending December 2025
Summary of questions and Answers

【Regarding Operating Income】

Q: Regarding PROTOLEAF, Inc., for how many months will its results be reflected in the P/L for the current fiscal year? Additionally, please provide information on the amount of goodwill and trademarks, as well as their amortization periods.

A: For this second quarter, we've recorded three months of sales and profit. Please consider the profit, including goodwill, to be a little over ¥100 million. Regarding the expense-side minus of ¥370 million shown on the "Operating Income Change Factors (vs. Forecast)" page in our earnings presentation, this figure does not include goodwill. The actual amount of goodwill is approximately ¥349 million, which will be amortized over five years. This results in an annual amortization of about ¥70 million, with roughly ¥17 million impacting this second quarter's three-month period. All trademarks are included in the goodwill.

Q: Regarding the Operating Income Change Factors (vs. Forecast) on page 15, in similar past materials, we often saw a mix of both positive and negative factors. However, this time, the chart appears heavily biased toward positive factors. I assume there are some negative factors from the consolidation of PROTOLEAF, Inc.. Even if we exclude those, are there still only positive factors this time? The overall structure of the graph feels quite different from what we've seen before.

A: That's right. I believe we are achieving the results we aimed for. When we were making our plan, the customer reaction to our price revisions was unclear, so we made a conservative estimate of the effect. However, our measures were successfully executed, and the results of those efforts are now apparent, leading to these actual figures and the upward revision.

Q: The first-half operating income exceeded the plan by ¥2.5 billion. Assuming PROTOLEAF's contribution was not a significant factor in this increase, is it correct to assume that the full-year operating income forecast is simply the initial plan plus this ¥2.5 billion, with the second-half forecast remaining largely unchanged?

A: Your understanding is correct.

Q: I understand that the domestic Insecticide & Repellents market trend is challenging, but that your price revisions are progressing smoothly. For the second half, we anticipate higher temperatures, a decrease in product returns, and an increase in year-round demand. Given these factors, is there a possibility that the second-half forecast could be revised upwards?

A: Yes, there is a possibility that the second-half plan could be exceeded. However, we still have to contend with uncertain factors such as weather and product returns. While we are working to

address these risks, we cannot afford to ignore them. That being said, we are significantly accelerating our initiatives in the domestic daily household products segment, including the renewal of Mondahmin. Our overseas business is also performing well for now, but we must acknowledge that unforeseen events can occur. Despite these uncertain factors, our current outlook is favorable, which is why we have decided to revise our full-year forecast at this time.

【Regarding Revisions to Full-Year Forecasts】

Q: (Ref. P.17: Revision to Full-year Forecast (8/8/25)) Could you please explain the background for revising the forecast at this specific timing and the main factors behind the revision? Also, is my understanding of the breakdown correct? If we exclude the consolidation of PROTOLEAF, Inc., are sales on track with the initial plan? I also assume that gross profit has slightly increased due to our conservative planning. With the SG&A expenses not being revised to account for the increase from PROTOLEAF, Inc., does this mean that SG&A, excluding PROTOLEAF, Inc., is underspent compared to the initial plan? Is it correct to assume that these factors lead to the ¥1.5 billion increase in operating profit?

A: Please understand that we revised our forecast at this timing because we are confident in our performance. Your understanding of the revised forecast is correct. In addition, a key difference from our initial plan is that we now expect an improvement in our gross profit margin. This is due to the effects of our price revisions and changes in the sales mix, driven by the growth of higher-priced products. We also believe that a major factor is that we are succeeding in growing our business, even while the domestic Insecticides & Repellents market as a whole is not performing well.

Q: Could you please explain what sets your company's Insecticides & Repellents business apart from the competition?

A: I believe it all comes down to our customer-centric product development.

【Regarding Insecticides & Repellents segment】

Q: With recent insect-related problems such as the midge infestation at the Osaka-Kansai Expo and the spread of chikungunya fever in China's Guangdong Province, do you see a business opportunity for your company?

A: Based on our collaborative agreement with Osaka Prefecture, the governor made a statement, and we are cooperating with their measures to the extent we can. In collaboration with our consolidated subsidiary, Earth Environmental Service, we are utilizing our group's products while assessing the situation. That said, we do not expect this specific event to have a significant impact on our business performance. We do, however, hope that it leads to more publicity for our products. Regarding the situation in China, we currently do not see a business opportunity for our company. However, there might be some impact on our business if the possibility of domestic

infection emerges.

Q: Given that Japan's climate is becoming more tropical, I feel there's potential for an increase in year-round demand, even in winter. Also, with cases like the chikungunya fever in China emerging, would it be correct to assume that your business environment is becoming more favorable?

A: Yes, your understanding is correct.

Q: I feel that the trend in the domestic Insecticides & Repellents market has changed significantly between June and July. How do you assess the overall market environment, including your company's situation?

A: While some of this is still in the research phase, so I can't speak definitively, when it gets too hot, mosquito activity decreases. During the hottest parts of the day, mosquitoes simply rest on the underside of leaves and their activity resumes in the evening. Mosquitoes bite humans to lay their eggs. While they used to bite primarily from July to August, that period is shifting. However, when we look at the entire year, the overall activity level remains the same. Therefore, we don't believe there is any cause for concern.

【Regarding Homecare products segment】

Q: Could you provide details on the overseas expansion plan for the renewed Mondahmin products?

A: In China and the Philippines, we've already launched Mondahmin with the new logo, ahead of Japan. Meanwhile, in Thailand and Vietnam, where we are still working to establish the current Mondahmin brand, we plan to transition to the new logo around 2027 to 2028, taking into account each country's regulations. Regarding our export business, we have already launched the new logo in Taiwan. We are working to align our marketing and sales efforts across our overseas markets, and we will continue to provide updates on our progress abroad.

Q: How do you anticipate Mondahmin's market share in Japan will increase going forward?

A: Mondahmin was launched 38 years ago and currently holds a market share of around 18%. The age of our long-time customers is increasing, so we're conducting a full renewal with the goal of attracting younger generations and becoming the No. 1 brand in the market. We're also simultaneously reviewing our SKUs to ensure we meet all consumer usage needs. Moving forward, you can expect to see a much larger presence for our product in stores and through TV commercials.

Q: (Ref. Supplemental Material P.37: Overview of Group Companies' Business Performance)

Could you please explain the reasons for Hakugen Earth's increase in both revenue and profit, and the sustainability of this growth?

A: Hakugen Earth is involved in a seasonal business, unlike our insect care products, and its

performance is directly tied to the temperature. Sales of cooling products increase as summer temperatures rise. While the company handles a variety of product categories, please note that cooling and cold-pack products are the main factors influencing its performance at this moment.

【Regarding Expenses】

Q: (Ref. P.27: Progress of One-off Expenses (Incl. Structural Transformation)) Is it correct to assume that the structural reform costs, specifically the strategic spending portion, were not spent as planned in Q2? If so, could you please explain the reason for this? Also, since the full-year forecast for these costs has not changed, does that mean you still plan to use the full amount over the entire year?

A: The strategic spending is a reserve fund for things like M&A. It's a budget we have prepared, but we don't know when it will be used. We did not incur any of these costs in the first half, but they may arise in the second half. However, we won't spend it simply to use up the budget.

Q: At the start of the fiscal year, you explained that even expenses that could be recognized as special losses from the structural reforms were initially recorded as operating expenses. Have any events that might lead to a special loss occurred so far?

A: There are no such events at this time. Of course, in the process of proper accounting, it's possible for these costs to be recorded as either SG&A expenses or special losses. Including these possibilities, our full-year forecast for structural reform costs remains unchanged at this point.

【Regarding Others】

Q: Given the recent reorganization in the retail industry, has this had any positive impact on your company as a top manufacturer?

A: A system to respond to this kind of reorganization is not something that can be built in just one or two years. We conduct our sales activities to ensure that we are prepared no matter which of the leading retailers, such as drugstores or home centers, becomes the top player. Our sales strength comes from having anticipated this kind of situation and having worked on it for a long time. Please understand that we are now seeing the results of those efforts.

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