Earth Corporation
Earnings briefing materials for Q3 of the fiscal year ending December 2025
Summary of questions and Answers

【Regarding the Progress on the Revised Earnings Forecast】

Q: (Earnings Briefing Materials P3: Financial Highlights) It states that sales exceeded the forecast by ¥1.55 billion and operating profit exceeded the plan by ¥2.77 billion. Is this compared to the initial forecast?
(Earnings Briefing Materials P11: Operating Income Change Factors (vs. Forecast)) Is the "vs forecast" on this page also compared to the initial forecast?

A: This is compared to the initial forecast.

Q: (Earnings Briefing Materials P3: Financial Highlights) The operating profit in the revised earnings forecast disclosed at the end of the second quarter was ¥8.0 billion, representing an upward revision of ¥1.5 billion. While operating profit at the end of the third quarter exceeded this by ¥2.77 billion, is it correct to understand that the difference of ¥1.27 billion will be utilized in the fourth quarter?

A: Certain expenses, such as advertising expenses and fixed costs, are currently being carried forward from the third quarter. These will be utilized starting in the fourth quarter and beyond. Additionally, we are considering upfront investments with an eye toward the next fiscal year, and we plan to utilize these funds accordingly.

Q: Regarding the revised earnings forecast disclosed during the second quarter's earnings announcement, what is the progress on sales and operating profit? Also, what is the likelihood of upward or downward revisions?

A: While we have not disclosed figures against the revised forecast, we believe progress is proceeding smoothly. As of the third quarter, there have been no significant fluctuations.
Regarding returns, which significantly impact performance in the fourth quarter and beyond, we do not anticipate major deviations from projections. Factors such as daily necessities, overseas conditions, and expense trends could introduce variability. While some fluctuations are expected, there are currently no factors likely to substantially alter the full-year outlook.

【Regarding Operating Profit】

Q: (Earnings Briefing Materials P12: Progress of One-off Expenses) Regarding the total one-off expenses of 1.5 billion yen, only 500 million yen has been used at this stage. What is your outlook for the full year?

A: For structural transformation expenses and 100th anniversary expenses, the plan calls for 770 million yen. We expect these to be used as planned or slightly exceed the budget. On the other hand, strategic expenses are currently significantly underutilized compared to the plan. While details are not finalized at this stage, we anticipate using the funds within the allocated budget.

Q: (Earnings Briefing Materials P11: Operating Income Change Factors) Logistics costs have exceeded forecast, but I recognize that oil prices are currently declining. Please provide your outlook for next fiscal year: Will the upward trend in logistics costs continue? Or can logistics costs be contained next year through measures like improving loading efficiency?

A: We are currently preparing next fiscal year's forecast, so we cannot provide specific details. However, we can offer an overall perspective. While logistics costs are currently rising sharply and we are advancing initiatives to improve efficiency, we do not anticipate this contributing to increased profits.

Q: I believe this year's price revisions for insecticides & repellents have also progressed favorably, and I think the restructuring of retail stores is having a positive impact. Considering this point as well, how do you view external factors for the next fiscal year and beyond?

A: We feel that the restructuring of retail stores is having a positive impact for our company, which boasts a high market share. Regarding insecticides & repellents, weather factors play a significant role, so there are unpredictable elements, but we will advance our efforts starting with the areas where we can prepare.

【Regarding Homecare Products】

Q: (Supplementary Materials P17: Consolidated: Sales by Segment) Oral hygiene products saw a ¥1 billion increase in sales compared to the previous period. How do you view their growth potential for the next period? Also, please share your confidence level regarding the domestic homecare products top line and the basis for that confidence.

A: The growth in oral hygiene products is largely due to the impact of renewal of Mondamin. Both shipments and sales are progressing steadily, and we feel very positive about the trend, so we expect continued growth next period. Regarding homecare products, we also anticipate growth next fiscal year. Beyond oral hygiene products, we expect contributions from bath salts, including enhanced product lineups and efficiency improvements following the integration of Bathclin.

Q: (Earnings Briefing Materials P4: Management Accounting Basis: Sales / GPM(24 vs 25)) The gross profit margin for homecare products has significantly improved. Could you explain whether this is due to model mix or price revisions?

A: While model mix has had an impact, the major contributor is improved profitability per product. Mondamin's profitability has improved following its renewal, driven by formulation changes and packaging efficiency. Additionally, formulation changes for bath salts and similar products have also contributed positively.

Q: (Earnings Briefing Materials P4: Management Accounting Basis: Sales / GPM(24 vs 25)) Is the growth in homecare products driven by volume rather than price revision? Is it correct to understand that improving profitability is achieved not through passing on price revision, but through measures such as changing prescriptions?

A: Yes, that's correct. The impact is largely due to volume growth and improved profitability.

【Regarding Overseas Business】

Q: Regarding the slump in the insecticides & repellents market in Saudi Arabia and Hong Kong for export business, what are the factors behind this? Is it weather, competition, or something else? Also, how will you respond?

A: The main factor is a market slump due to weather conditions. However, since this segment has grown steadily over a long period, we are not overly concerned.

Q: While the situation in Southeast Asia is challenging, could you tell us if there have been any changes, such as intensifying competition?

A: While companies like SC Johnson hold significant market share, we believe the opportunities are substantial. In Thailand, we currently hold the No. 2 market share position and are poised to become No. 1. We anticipate growth by leveraging our success in Thailand to expand into other countries.

Q: (Supplementary Materials P17: Overseas Results) This fiscal year's operating profit margin has declined from the previous year. Can we expect growth next fiscal year?

A: The primary factor this fiscal year was reduced profits due to falling short of our plan in Vietnam. We are currently reviewing and strengthening our sales structure, so we anticipate renewed growth starting next fiscal year.

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