Earth Corporation
Earnings Briefing Materials for the Fiscal Year Ended December 2025
Summary of Questions and Answers

【Regarding Business Results and SG&A Expense Performance/Plans】

Q: What was the impact on business performance from the employee benefit measures recorded in FY2025, and what is your approach for FY2026?

A: FY2025 marked our 100th anniversary. We achieved better-than-expected results due to the success of our price revision measures and favorable weather conditions. Consequently, we returned several billion yen to our employees to reward their efforts. For the current fiscal year, while it depends on the progress of our earnings plan, we have planned personnel expenses at a normal bonus level. This means we start from a lower base for personnel expenses in our plan, which we recognize will have a positive impact on profits.

Q: (Slide 27) What are the main factors behind the approximately ¥3.3 billion year-on-year increase in SG&A expenses planned for the current fiscal year?

A: Specifically, we plan to increase advertising expenses, particularly for new product investments and the strengthening of digital/online advertising. We also anticipate higher personnel expenses, including an increase in starting salaries. While synergies such as improved efficiency in sales activities will be generated from the integration with BATHCLIN Corporation, our plan prioritizes investment for growth beyond those effects.

【Regarding Domestic Business (Insecticides & Repellents / Homecare Products)】

Q: (Slide 28) Please explain the intent behind the plan for the gross profit margin of domestic insecticides & repellents to decrease slightly (-0.3pt) compared to the previous year. Also, while your market share in domestic insecticides & repellents expanded by +1.9pt in 2025 compared to 2024, what is your outlook for the future?

A: The price revision measures we have continued for the past three years have achieved a certain level of success. This fiscal year, we will enter a phase where we focus on "maintaining prices" and "expanding volume" rather than planning further price revisions. This plan aims to stabilize earnings by maintaining and controlling our current high market share (59.1%) rather than pursuing forced expansion. We believe "market share is the result of consumer support". We value the cycle where new products we confidently launch are truly accepted by customers, naturally resulting in an increase in share. Instead of spending unnecessary costs to force a share increase, we believe it is necessary to maintain and expand a solid share based on consumer support.

Q: How do you view the profitability of the Homecare Products category (oral hygiene, bath salts, etc.)? Please explain the factors behind the steady improvement in the gross profit margin and its sustainability.

A: In major categories such as Mondamin and bath salts, past price revision measures have steadily taken hold, leading to improved gross profit margins. As price increases are also progressing across the entire market, our price competitiveness is relatively increasing, and we expect a steady trend to continue this fiscal year.

【Impact of the BATHCLIN Corporation Integration】

Q: Regarding the optimization of production lines and the strengthening of back-office functions following the integration with BATHCLIN Corporation, when do you expect to show quantitative effects on the P&L (SG&A expenses, etc.)?

A: The effects of the integration include both short-term results and those requiring medium-to-long-term verification. For short-term achievements, we expect to be able to provide some numerical details around the time of the first-half earnings briefing. We have been working on medium-to-long-term projects for two years, but we expect to need a little more time to conduct a more precise verification of the effects. In any case, we will provide transparent explanations once numerical data becomes clear.

Q: Regarding sales synergies, have there been specific results such as improved transaction terms or the acquisition of shelf space (displays) due to the unification of sales contacts?

A: Even before the integration, we started inter-departmental projects between the two companies and conducted negotiations in coordination. Those efforts have already yielded clear results in shelf space acquisition from last year's autumn/winter season to this spring. Since January of this year, sales contacts have been formally unified, further strengthening our negotiating power. We are confident that positive results from this unification will further accelerate toward the upcoming autumn/winter season.

【Overseas Business and Group Companies】

Q: What is the progress s of overseas business and the profitability plan for this the current fiscal year? Please also share the disclosure policy and schedule for overseas business information.

A: In the Philippines, inventory shortages occurred, causing a significant negative impact on profits, but this issue has already been resolved. This will serve as a positive factor this fiscal year, and we expect it to push up the profit margin. Furthermore, while the overall gross margin for overseas operations is currently around 33%, this figure includes intra-group exports. Each local subsidiary targets a gross margin of approximately 40% excluding intra-group sales. We plan to increase profitability by improving production efficiency at our own factories and optimizing the product mix.

Regarding the disclosure of numerical data for overseas business, which is highly requested by investors, we are considering disclosing more detailed information around the second half of this year.

Q: (Slide 6) Hakugen Earth Co., Ltd. performance is trending strongly. How did summer products contribute last fiscal year, and what is the outlook going forward?

A: While insect repellents for clothing and dehumidifiers have been affected by market stagnation, cooling agents performed very strongly and contributed significantly to results due to the extremely hot and long summers recently. For bath salts, we have gained consumer support mainly for affordable products, recording double-digit growth. In masks, value-added series such as "masks that make the face look smaller" are performing very well. Looking ahead, we plan to steadily build performance centered on cooling agents, bath salts, and masks, while planning to maintain insect repellents for clothing and dehumidifiers in line with current market trends.

【General Environment and Sanitation Business】

Q: How do you view the long-term growth potential of the General Environment and Sanitation business? Please explain its competitive advantage and positioning in the next Medium-Term Business Plan.

A: Earth Environmental Services, which operates this business within the general environment and sanitation (BtoB consulting) industry, has already established itself as the market leader (based on our own estimates). Our strengths lie in our unique know-how and human resource training. This has allowed us to build a scheme where customers say, "We want to leave it to Earth," even at higher prices, without being caught in price competition. There is still significant room for expansion in the market, and in the next Medium-Term Business Plan, we will clearly position this business as one of the "two major businesses of the Group". Including the acceleration of overseas expansion, we believe it is fully possible to add a further ¥10 billion in sales over the medium term. We plan to announce specific quantitative targets in conjunction with the formulation of the next Medium-Term Business Plan.

【Regarding DX】

Q: Regarding DX promotion, could you share any quantitative examples?

A: We obtained DX Certification in July 2025 and are currently formulating specific KPIs and constructing a strategy for AI utilization. Once these are finalized, we plan to disclose them as part of our growth strategy.