Earth Corporation
Earnings briefing materials for 3Q of the fiscal year ending December 2026
Summary of questions and Answers

【Regarding Performance, Full-Year Plan, and Profit Margins】

Q: (Earnings Briefing Materials P18) While the full-year earnings forecast remains unchanged, considering the cumulative progress in operating income through the third quarter, what is your current confidence level and outlook toward achieving the annual plan (operating income of ¥9.0 billion)?

A: At this stage, we continue to aim for the achievement of our initial operating income plan of ¥9.0 billion. On the other hand, it is also true that variable factors exist, such as risks related to returns of Insecticides & Repellents resulting from unfavorable weather during August and September, as well as rising raw material prices. While positive factors are present—including thorough expense control and the effects of price adjustment measures for homecare products—we are currently carefully reviewing our outlook in light of current conditions.

Q: In light of the need for investments toward the next MTBP, do you intend to adhere rigidly to achieving the ¥9.0 billion operating income target, or will you prioritize deploying necessary growth investments from a long-term perspective?

A: While we take our commitment to achieving the ¥9.0 billion plan very seriously, our business does not end with this fiscal year alone. We have no intention of adhering rigidly to the ¥9.0 billion target to the point of excessively suppressing investments necessary for future growth; our policy is to firmly execute strategic investments.

Q: Amid external factors such as foreign exchange fluctuations, soaring raw material costs, and unfavorable weather, how should we view the outlook for improving profit margins for the next fiscal year and beyond?

A: We have long engaged in cost reduction initiatives aimed at expanding profit margins, but we were impacted by unforeseen foreign exchange fluctuations and unfavorable weather conditions. In response to these current business conditions, we are currently finalizing a plan toward our target of margin expansion as part of formulating the next MTBP.

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

Q: Although 3Q sales of Insecticides & Repellents fell short of the plan, are there concerns about a prolonged cost-push impact from rising raw material costs due to carrying over inventory into the next fiscal year, or cost shifts between periods?

A: Although sales fell below plan due to unfavorable weather and other factors, we have carr

ied out timely inventory adjustments. As a result, we are not holding excessive inventory, and we do not anticipate significant cost shifts between periods. While production for the next fiscal year will utilize raw materials procured at currently elevated prices, we recognize that the underlying cost environment assumptions do not deviate significantly from our previous expectations.

Q: Regarding the price adjustment for homecare products implemented in September, please explain why the effects are difficult to discern as of the third quarter, and share your current assessment. Additionally, is there room for further price increases, and are there concerns regarding consumer spending cutbacks?

A: As of 3Q, only one month had passed since the September price adjustments, and because this coincided with the shelf reshuffling period, the balance between shipments and in-store absorption is difficult to gauge over a single month alone. We expect the full contribution to become visible from October onward. To date, progress has stayed generally in line with our anticipated price pass-through, and we do not see reasons for excessive concern regarding sharp pullbacks in consumer purchasing.

Q: Amid lingering concerns over market contraction and sales declines in Insecticides & Repellents due to unfavorable weather, could online customer touchpoints—such as e-commerce purchases while staying at home—serve as a growth opportunity for Insecticides & Repellents? Additionally, has there been an impact from consumer reluctance to purchase high-priced items (¥1,000 or more)?

A: There may indeed be shifts in customer purchasing behavior driven by unfavorable weather. Within that context, the sales ratio of our e-commerce channel has been increasing year by year, and our initiatives are progressing steadily. However, for Insecticides & Repellents, "points of contact between humans and insects" represent the single largest demand creation opportunity. Unfavorable weather, as seen this year, can affect demand for the category as a whole; therefore, this must be considered separately from sales growth via e-commerce channels. Furthermore, because our Insecticides & Repellents are essential necessities characterized by repeat purchases based on proven efficacy, price elasticity is low, and we view the impact of consumers switching to other categories or holding back on purchases as limited.

Q: (Earnings Briefing Materials P11) Domestic market share in Insecticides & Repellents slightly decreased from 60.2% at the end of June to 59.9% at the end of September. Could you explain the factors behind this shift and its impact on performance?

A: This movement in market share was driven by changes in bestselling product mix across the broader market during the second half of the season; historically, our market share te

nds to dip slightly from June through the end of September. This year's decrease was somewhat milder than in normal years, and our share remains at a high level. Moreover, although sales of Insecticides & Repellents fell short of the plan, we maintained solid year-over-year revenue growth, and there is no change in the stable growth trajectory of this business.

Q: Shipments of *Mondamin* fell below the previous year's level (at 91.1%) due to the reactionary decline following last year's renewal. As a high-margin flagship brand, how do you plan to drive its performance heading into the next fiscal year?

A: While we refrain from commenting on specific quantitative targets, we position *Mondamin* as an important flagship brand for our company. In-store retail sales remain robust at over 110% compared to the previous period. We will continue to make firm investments toward the upcoming fiscal year and pursue our plan to expand the top line.

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