【TSE First Section Securities Code 6073】

Financial Results for FY Ended March 2016

Asante Incorporated



May 18, 2016

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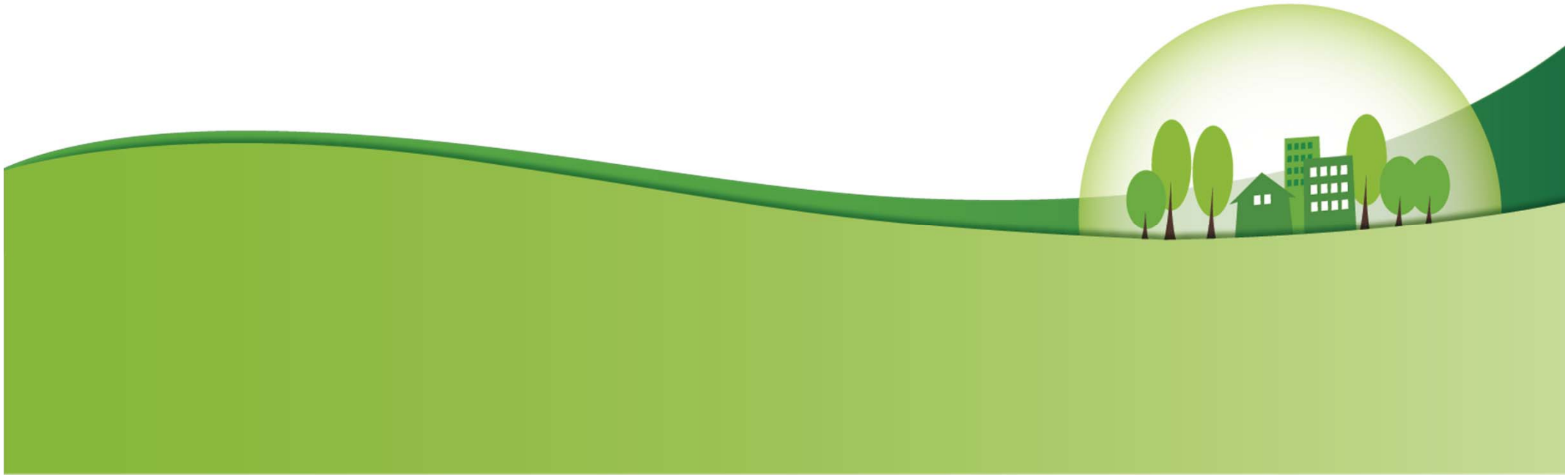
Ⅰ. Overview of Financial Results for FY3/16



FY3/16 Business Environment

1. Degree of awareness of the prevention of existing houses increased

2. Consumer spending was sluggish, and consumer sentiment was stalling

3. Competition to hire personnel was becoming fiercer

FY3/16 Specific Initiatives

Regional development

Establishment of Nara Branch (Apr.)

Advertising and sales promotion activities

Development of advertising, publicity and sales promotion activities

Development of wide-ranging IR activities

Organization

Reorganization of recruitment and training department

Functional enhancement of our customer service department

Increasing the number of outside directors

FY3/16 Results for Profit and Loss

- Net sales increased by 604 million yen
- Operating income increased by 32 million yen
- Net income increased by 73 million yen

(Unit: Million yen)	FY3/15		FY3/16		YoY	
	Results	Composition Ratio	**Results**	**Composition Ratio**	Change	Change in Ratio
Net sales	12,669	–	**13,273**	–	604	4.8%
Cost of Sales	3,647	28.8%	**3,774**	**28.4%**	126	3.5%
Gross Profit	9,021	71.2%	**9,499**	**71.6%**	477	5.3%
SG&A	6,721	53.1%	**7,166**	**54.0%**	445	6.6%
Operating Income	2,299	18.2%	**2,332**	**17.6%**	32	1.4%
Ordinary Income	2,349	18.5%	**2,339**	**17.6%**	- 9	- 0.4%
Income before Income Taxes	2,328	18.4%	**2,339**	**17.6%**	10	0.5%
Income Taxes	916	7.2%	**854**	**6.4%**	- 62	- 6.8%
Net Income	1,412	11.1%	**1,485**	**11.2%**	73	5.2%

FY3/16 Net Sales by Service

- Sales of termite control increased by 3.7%
- Underfloor ventilation systems of anti-humidity measures increased by 5.0%
- Repair housing foundations and housing reinforcement of anti-earthquake measures increased by 6.7%

(Unit: Million yen)	FY3/15		FY3/16		YoY	
	Results	Composition Ratio	**Results**	**Composition Ratio**	Change	Change in Ratio
Net Sales	12,669	–	**13,273**	–	604	4.8%
Termite Control	5,418	42.8%	**5,620**	**42.3%**	202	3.7%
New	3,126	24.7%	**3,157**	**23.8%**	31	1.0%
Renewal	2,292	18.1%	**2,463**	**18.6%**	170	7.5%
Underfloor Ventilation Systems	3,028	23.9%	**3,179**	**24.0%**	151	5.0%
Repair Housing Foundations/ Housing Reinforcement	3,631	28.7%	**3,874**	**29.2%**	242	6.7%
Others	590	4.7%	**598**	**4.5%**	8	1.5%

FY3/16 Number of Staffs, Sales per Staff

- In our three main services of termite control, underfloor ventilation systems, repair housing foundations and housing reinforcement, the average number of staff increased by 1.1%, sales per staff increased by 3.8%, and net sales increased by 4.9%.

	FY3/15	FY3/16	YoY	
	Results	**Results**	Change	Change in Ratio
Net Sales (Million yen)	12,669	**13,273**	604	4.8%
Within the three services	12,078	**12,675**	596	4.9%
Average number of staffs during the period	918.1	**936.5**	18.4	2.0%
Within the three services	767.7	**776.4**	8.7	1.1%
Sales per staff (Thousand yen/month)	1,149	**1,181**	31	2.7%
Within the three services	1,311	**1,360**	49	3.8%
Number of staffs at end of period	962	**983**	21	2.2%

- "Number of staffs": the number of staffs actually working including contract employees, part-time workers, and casual workers
- "Sales of three services": total sales of termite control, underfloor ventilation systems, repair housing foundations and housing reinforcement
- "Number of staffs for three services": total of staffs engaging in sales, technical, and clerical work and management of operational sites

FY3/16 Factors for Changes in Operating Income (YoY)

- Operating income increased by 32 million yen

Items		Amount (Million yen)	YoY change	Main factors for changes
FY3/15 Operating income		**2,299**	–	
Amount of impact on earnings in each category	Increase in net sales	604	104.8%	
	Increase in material costs	- 93	106.1%	Changes of the composition of sales
	Increase in labor costs	- 29	102.2%	Increase in technical staffs
	Increase in personnel expenses	- 261	105.9%	Increase in sales staffs and managers
	Increase in commercial and promotional expenses	- 20	108.1%	
	Increase in recruitment advertising expenses	- 34	124.5%	
	Increase in rents	- 30	106.8%	Expansion of operating areas
	Increase in taxes and dues	- 36	144.8%	Increase in acquisition tax and in pro-forma standard taxation on the Mikkabi Comprehensive Training Center
	Increase in depreciation	- 51	145.7%	Mikkabi Comprehensive Training Center
	Increase in other operating expenses	- 14	–	
FY3/16 Operating income		**2,332**	–	

FY3/16 Cash Flows Statement

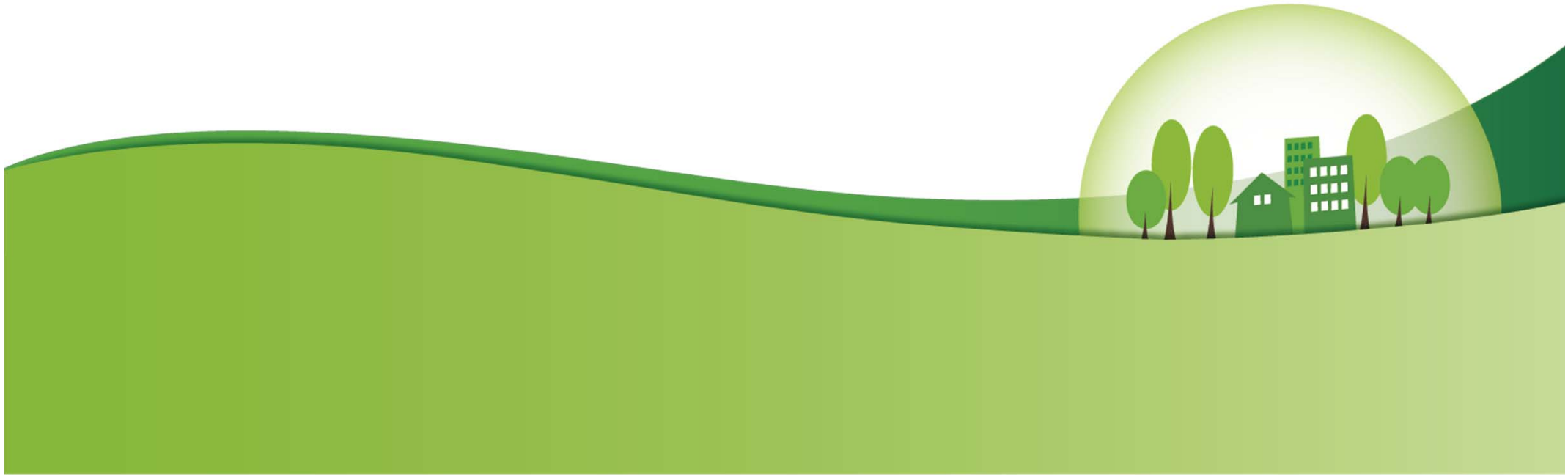
- Use of cash flows from investing activities was 833 million yen, as a result of the reconstruction of the Mikkabi Comprehensive Training Center

(Unit: Million yen)	FY3/15	FY3/16	Change	Factors for changes	
Cash flows from operating activities	1,227	**1,648**	420	Increase in income before income taxes Increase in depreciation Decrease in payment of corporate tax, etc. Increase in notes and accounts receivable-trade Others	10 51 632 -186 -87
Cash flows from investing activities	- 833	**- 29**	804	Decrease in acquisition of fixed assets Others	919 -115
Free cash flows	393	**1,618**	1,225		

FY3/16 Balance Sheet

(Unit: Million yen)	End of FY3/15	End of FY3/16	Increase/ decrease	Main factors for changes
Cash and Deposits	5,021	**6,156**	1,135	Operating CF 1,648 Investing CF - 29 Financing CF - 483
Property, Plant and Equipment	4,991	**4,867**	- 123	Depreciation - 159
Investments and Other Assets	578	**690**	112	Increase in prepaid pension cost 113
Total Assets	12,749	**14,025**	1,276	
Accounts Payable	243	**289**	46	
Long and Short Term Loans Payable	1,159	**1,102**	- 57	
Income Taxes Payable	257	**489**	231	
Total Liabilities	3,481	**3,666**	185	
Retained Earnings	7,255	**8,346**	1,090	Net income 1,485 Cash dividends paid - 395
Total Net Assets	9,268	**10,359**	1,090	

Ⅱ. Business Forecasts for FY3/17



FY3/17 Outlook for Business Environment

1. Degree of awareness of the prevention of existing houses to increase further

2. Consumer sentiment to be recovered moderately

3. Competition to hire personnel to remain sluggish

FY3/17 Specific Initiatives

Staffing strategy

Strengthening staff recruitment and training activities

Regional strategy

Expansion of operating areas

Operational strategy

Development of diversified sales promotion initiatives

FY3/17 Forecasts of Profit and Loss

- Net sales to increase by 1,196 million yen but operating expenses to rise by 1,360 million yen, so operating income decreased by 164 million yen (-7.1%)
- Retirement benefits expenses of 377 million yen account for 27.8% of increase in operating expenses
- Ordinary income and income before income taxes are expected to be the same level as operating income
- Net income to decrease by 67 million yen (-4.6%) due to reduction in corporate tax rate

(Unit: Million yen)	FY3/16		FY3/17		YoY	
	Results	Composition Ratio	**Forecasts**	**Composition Ratio**	Change	Change in Ratio
Net sales	13,273	–	**14,470**	–	1,196	9.0%
Cost of Sales	3,774	28.4%	**4,091**	**28.3%**	317	8.4%
Gross Profit	9,499	71.6%	**10,378**	**71.7%**	878	9.3%
SG&A	7,166	54.0%	**8,210**	**56.7%**	1,043	14.6%
Operating Income	2,332	17.6%	**2,167**	**15.0%**	- 164	- 7.1%
Ordinary Income	2,339	17.6%	**2,174**	**15.0%**	- 165	- 7.1%
Net Income	1,485	11.2%	**1,417**	**9.8%**	- 67	- 4.6%
Payout Ratio	33.2%	–	**40.0%**	–	+ 6.8pt	–

FY3/17 Forecasts of Profit and Loss

***Excluding increase in retirement benefits expenses**

- The increase of 377 million yen in retirement benefits expenses has been excluded from the "Business Forecast for FY3/17" on the previous page
- Net sales to increase by 9.0%, operating income to increase by 9.2%, and net income to increase by 13.1%.

(Unit: Million yen)	FY3/16		FY3/17		YoY	
	Results	Composition ratio	**Forecasts**	**Composition ratio**	Change	Change in ratio
Net Sales	13,273	–	**14,470**	–	1,196	9.0%
Gross Profit	9,499	71.6%	**10,442**	**72.2%**	942	9.9%
Operating Income	2,332	17.6%	**2,545**	**17.6%**	213	9.2%
Ordinary Income	2,339	17.6%	**2,552**	**17.6%**	212	9.1%
Net Income	1,485	11.2%	**1,679**	**11.6%**	194	13.1%
Payout Ratio	33.2%	–	**33.8%**	–	+ 0.6pt	–

◆ Breakdown of retirement benefits expenses

(Unit: Million yen)	FY3/16	FY3/17	YoY
Defined-benefit	- 4	**372**	377
Defined-contribution	32	**31**	- 0
Total Retirement Benefits Expenses	26	**404**	377

FY3/17 Net Sales by Service

- Sales of termite control to increase by 9.8%
- Underfloor ventilation systems for anti-humidity measures to increase by 8.5%
- Repair housing foundations and housing reinforcement for anti-earthquake measures to increase by 8.5%

(Unit: Million yen)	FY3/16		FY3/17		YoY	
	Results	Composition Ratio	**Forecasts**	**Composition Ratio**	Change	Change in Ratio
Net Sales	13,273	–	**14,470**	–	1,196	9.0%
Termite Control	5,620	42.3%	**6,169**	**42.6%**	548	9.8%
New	3,157	23.8%	**3,436**	**23.8%**	279	8.8%
Renewal	2,463	18.6%	**2,732**	**18.9%**	269	10.9%
Underfloor Ventilation Systems	3,179	24.0%	**3,448**	**23.8%**	268	8.5%
Repair Housing Foundations/ Housing Reinforcement	3,874	29.2%	**4,202**	**29.0%**	328	8.5%
Others	598	4.5%	**649**	**4.5%**	50	8.5%

FY3/17 Number of Staffs, Sales per Staff

- In our three main services of termite control, underfloor ventilation systems, repair housing foundations and housing reinforcement, the average number of staff to increase by 7.8%, sales per staff to increase by 1.2%, and net sales to increase by 9.0%.

	FY3/16	FY3/17	YoY	
	Results	**Forecasts**	Change	Change in Ratio
Net Sales (Million yen)	13,273	**14,470**	1,196	9.0%
Within the three services	12,675	**13,820**	1,145	9.0%
Average number of staffs during the period	936.5	**1,003.8**	67.3	7.2%
Within the three services	776.4	**836.9**	60.5	7.8%
Sales per staff (Thousand yen/month)	1,181	**1,201**	20	1.7%
Within the three services	1,360	**1,376**	15	1.2%
Number of staffs at end of period	983	**1,091**	108	11.0%

- "Number of staffs": the number of staffs actually working including contract employees, part-time workers, and casual workers
- "Sales of three services": total sales of termite control, underfloor ventilation systems, repair housing foundations and housing reinforcement
- "Number of staffs for three services": total of staffs engaging in sales, technical, and clerical work and management of operational sites

FY3/17 Factors for Changes in Operating Income (YoY)

- Operating income to decrease by 164 million yen

Items		Amount (Million yen)	YoY change	Main factors for changes
FY3/16 Operating income		**2,332**	–	
Amount of impact on earnings in each category	Increase in net sales	1,196	109.0%	
	Increase in material costs	- 128	107.9%	
	Increase in construction-work consumable expenses	- 53	127.8%	
	Increase in labor costs	- 129	109.7%	Increase in retirement benefits expenses: 63 million yen
	Increase in personnel expenses	- 681	114.6%	Increase in retirement benefits expenses: 314 million yen
	Increase in commercial and promotional expenses	- 68	124.5%	
	Increase in recruiting costs	- 15	144.5%	
	Increase in office repairing expenses	- 68	276.3%	Repairs to external walls of the headquarter
	Increase in taxes and dues	- 38	132.9%	Increase in pro-forma standard taxation
	Increase in other operating expenses	- 177	–	
FY3/17 Operating income forecast		**2,167**	–	

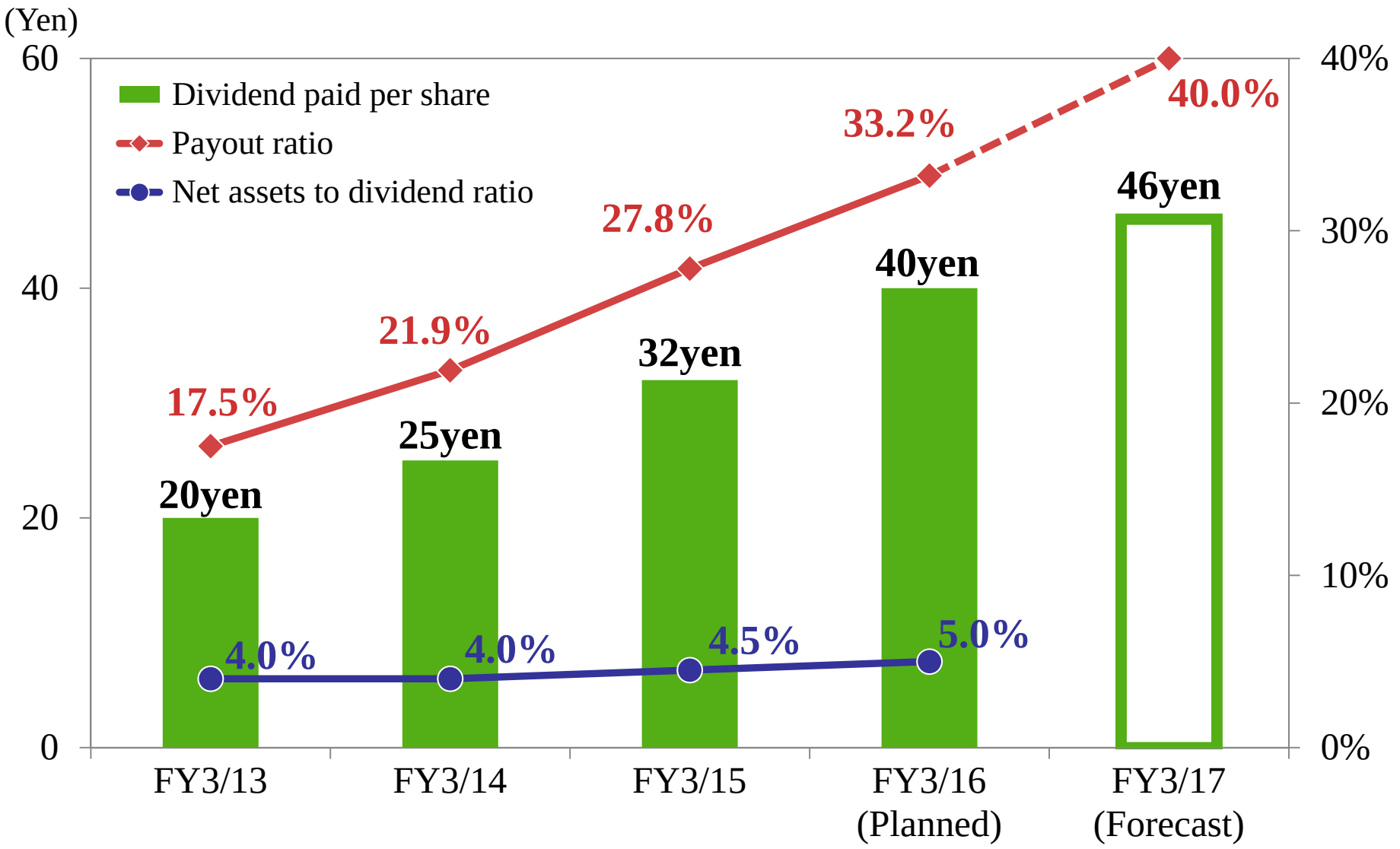
FY3/17 Cash Flows Statement

- The incremental amount of retirement benefits expenses will have no impact on free cash flows

(Unit: Million yen)	FY3/16	FY3/17	Change	Factors for changes	
Cash flows from operating activities	1,648	**1,770**	121	Decrease in income before income taxes Decrease in prepaid pension cost Increase in payment of corporate tax, etc. Others	-165 370 -249 166
Cash flows from investing activities	- 29	**- 83**	- 54	Increase in acquisition of fixed assets Others	-50 -3
Free cash flows	1,618	**1,686**	67		

FY3/17 Dividend Forecast

◆ Plan to introduce the interim dividend from the current fiscal year



Special Benefit for Shareholders

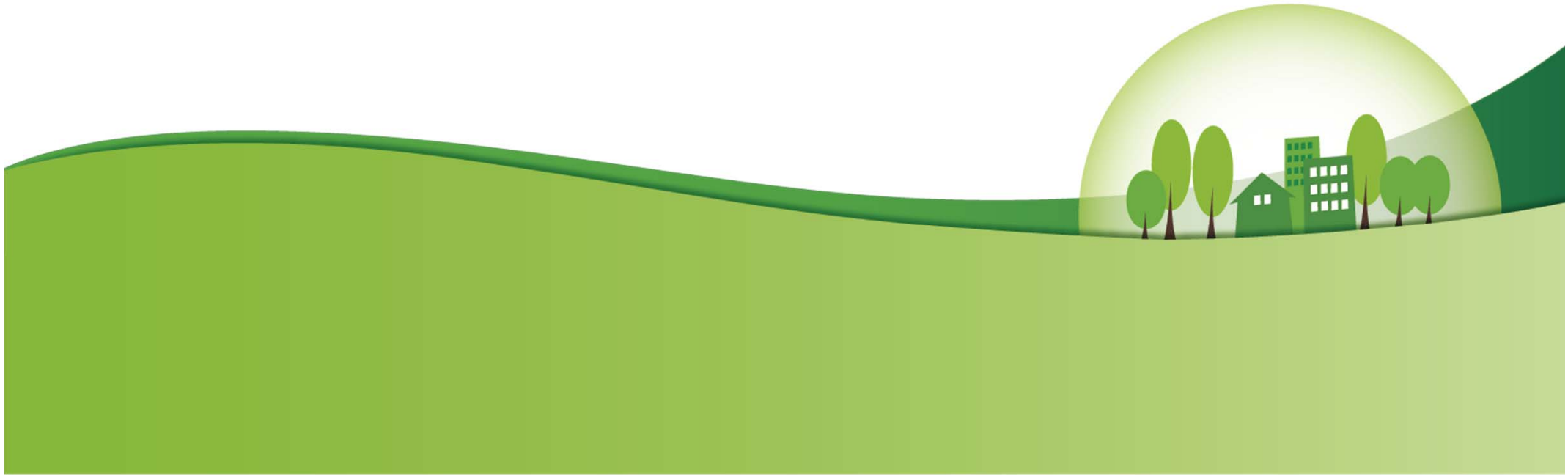
Special Benefit

- Eligible shareholders : For shareholders with 1 or more share unit(s) at the end of March or September
- Special benefit : Gift of a 1,000 yen Mitsubishi UFJ NICOS gift card
- Delivery period : Planned to be sent in June and December of every year

*You cannot use this gift card outside Japan (except some stores).



Ⅲ. FY3/17 Mid-term Business Plan



Mid-term Business Plan【 Environment 】

1. Greater degree of awareness of the prevention of existing houses

2. Increase in consumer sentiment toward the 2020 Tokyo Olympics

3. Continuing issues of labor supply and demand

Mid-term Business Plan【Strategies -3UP for sustainable growth-】

1UP

Accelerating development and cultivation of operating area

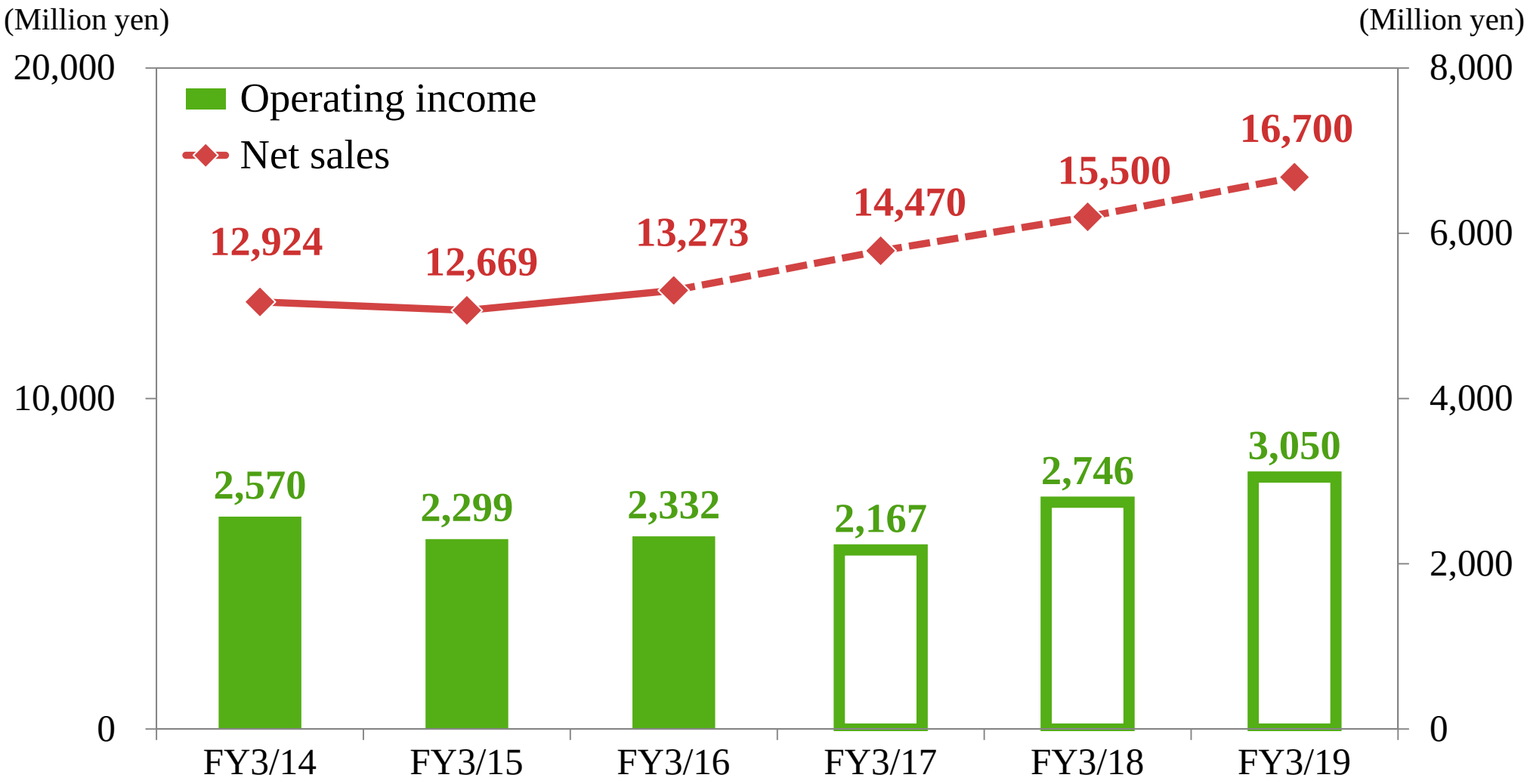
2UP

Raising the attractiveness of the company

3UP

Strengthening management reform ability and planning capability

Mid-term Business Plan【 Target 】



Mid-term Profit and Loss Statement

- FY3/19 Net sales:16.7 billion yen,
  Operating income: 3 billion yen,
  Net income: 2 billion yen

(Unit: Million yen)	FY3/16	FY3/17	FY3/18	FY3/19		
	Results	Forecasts	Forecasts	**Forecasts**	Compared to FY3/16	
					Change	Change in Ratio
Net Sales	13,273	14,470	15,500	**16,700**	3,426	25.8%
Operating Income	2,332	2,167	2,746	**3,050**	717	30.8%
Ordinary Income	2,339	2,174	2,754	**3,059**	719	30.7%
Net Income	1,485	1,417	1,818	**2,037**	552	37.2%
EPS (Yen)	120.37	114.86	147.36	**165.13**	44.76	37.2%

Plan of Number of Staffs, Sales per Staff

	FY3/16	FY3/17	FY3/18	FY3/19		
	Results	Forecasts	Forecasts	**Forecasts**	Compared to FY3/16	
					Change	Change in Ratio
Net Sales (Million yen)	13,273	14,470	15,500	**16,700**	3,426	25.8%
Within the three services	12,675	13,820	14,800	**16,000**	3,324	26.2%
Average number of staffs during the period	936.5	1,003.8	1,057.0	**1,112.0**	175.5	18.7%
Within the three services	776.4	836.9	884.0	**932.0**	155.6	20.0%
Sales per staff (Thousand yen/month)	1,181	1,201	1,222	**1,251**	70	6.0%
Within the three services	1,360	1,376	1,395	**1,430**	70	5.2%

- “Number of staffs”: the number of staffs actually working including contract employees, part-time workers, and casual workers
- “Sales of three services”: total sales of termite control, underfloor ventilation systems, repair housing foundations and housing reinforcement
- “Number of staffs for three services”: total of staffs engaging in sales, technical, and clerical work and management of operational sites

Notes on Future Forecasts

This document is only to provide information to investors, and is not for the purpose of soliciting purchases or sales.

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