# Financial Results for FY Ended March 2017

**May 17, 2017**



シロアリバスターズ

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**Asante Incorporated**【TSE First Section Securities Code 6073】

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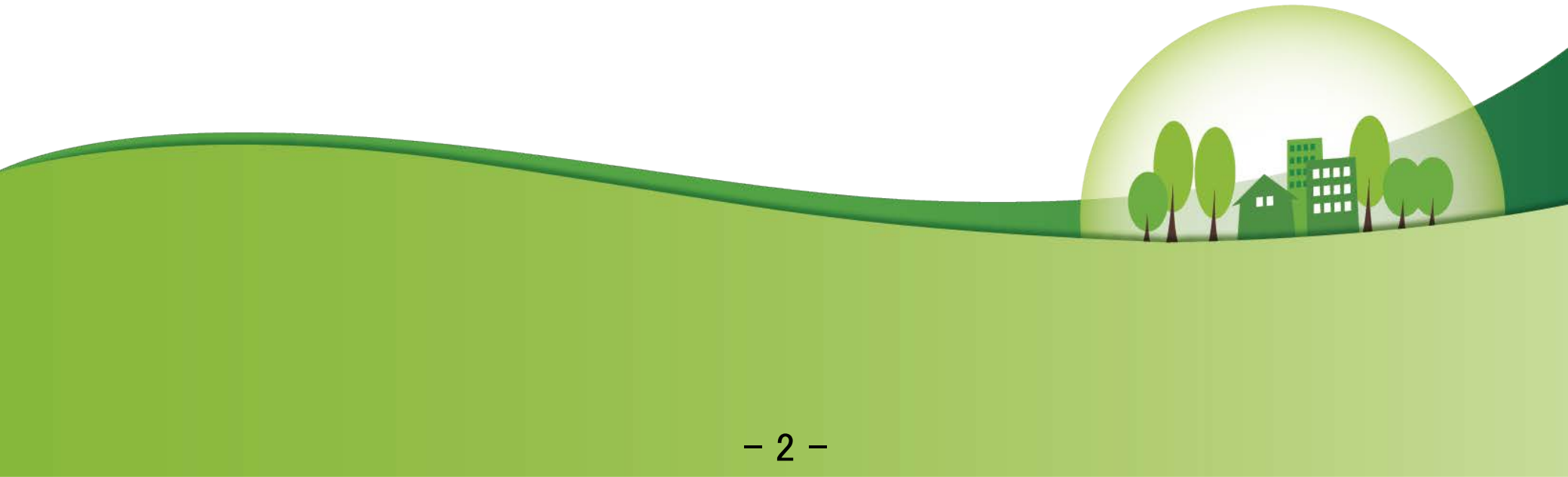
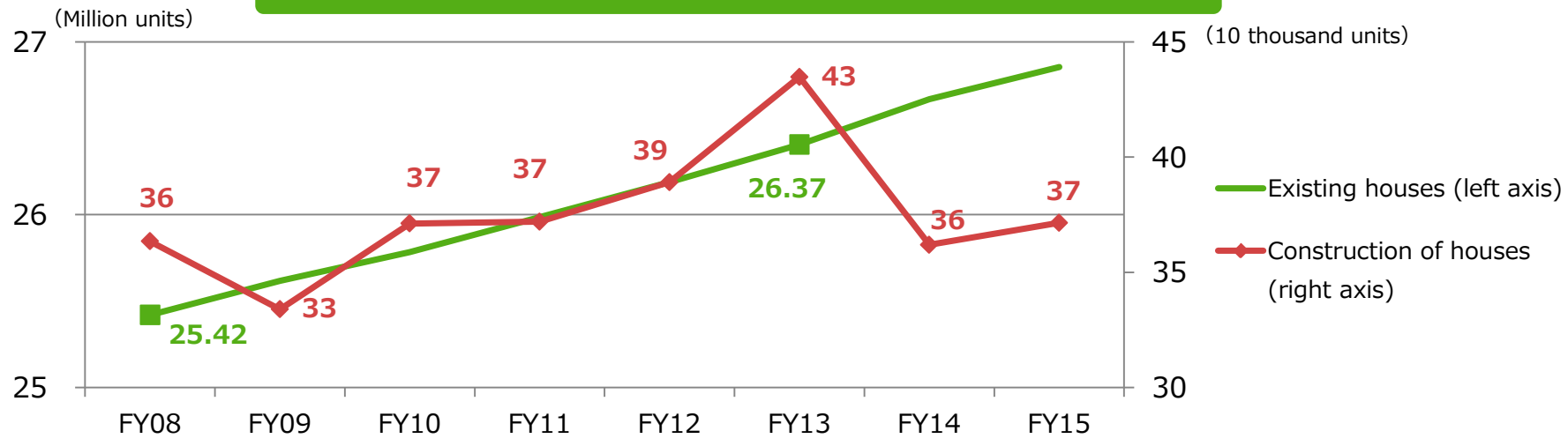
**Asante Inc.**

# Ⅰ. Overview of Financial Results for FY3/17



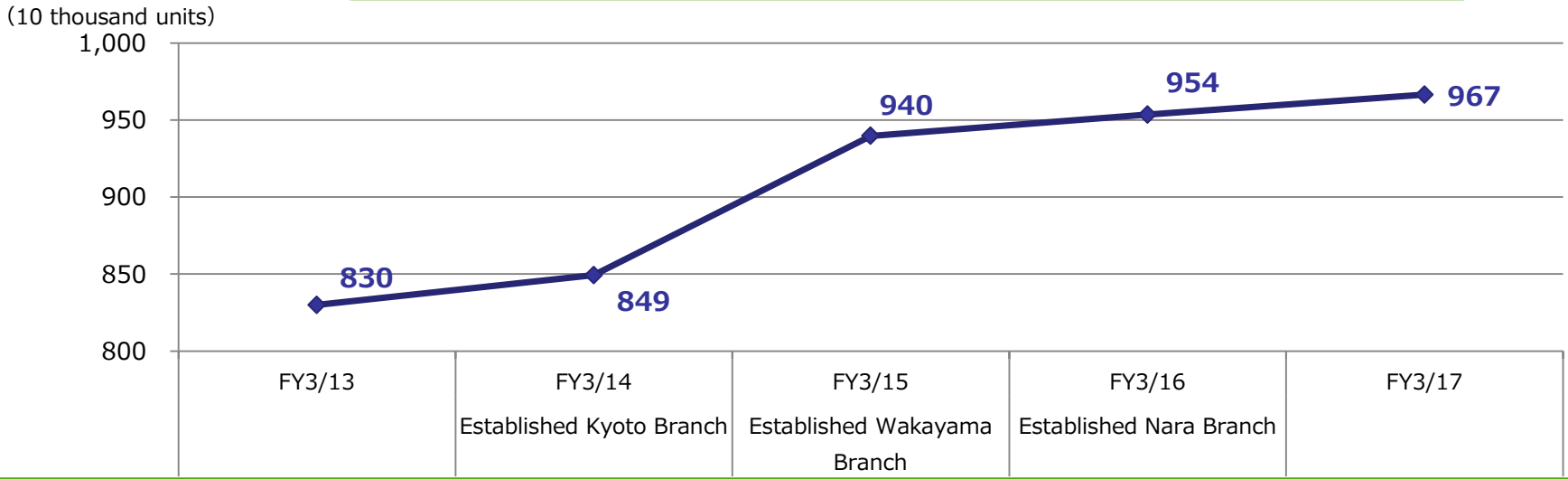
# Market Trend

## Number of domestic detached wooden houses




* Prepared by Asante by calculating the existing number of houses based on "2008 Housing and Land Survey," "2013 Housing and Land Survey" (Statistics Bureau, MIC), "Survey on Construction Statistics" (MLIT)

## Number of detached wooden houses in our operating areas



# FY3/17 Specific Initiatives

## 1. Strengthening excellent staff recruitment and training activities

- Strengthening recruitment and training department
- Increase in recruiting expenses
- Strengthening training center department

## 2. Improving operating efficiency

- Increase in advertising and promotion expenses
- Improving visualization of business development and operating system

## 3. Strengthening compliance

- Establishment of compliance headquarters
- Start integrated PDCA management of compliance in general

# FY3/17 Results for Profit and Loss

- Net sales increased by 578 million yen
- Operating income decreased by 649 million yen due to 379 million yen increase in retirement benefit expenses
- Net income decreased by 219 million yen due to posting of 188 million yen in deferred tax asset

| Unit: Million yen | FY3/16 | | FY3/17 | | YoY | |
|---|---|---|---|---|---|---|
| | Results | Composition Ratio | Results | Composition Ratio | Change | Change in Ratio |
| Net sales | 13,273 | – | **13,852** | **–** | 578 | 4.4% |
| Cost of Sales | 3,774 | 28.4% | **4,068** | **29.4%** | 293 | 7.8% |
| Gross Profit | 9,499 | 71.6% | **9,784** | **70.6%** | 284 | 3.0% |
| SG&A | 7,166 | 54.0% | **8,101** | **58.5%** | 934 | 13.0% |
| Operating Income | 2,332 | 17.6% | **1,682** | **12.1%** | - 649 | - 27.9% |
| Ordinary Income | 2,339 | 17.6% | **1,686** | **12.2%** | - 653 | - 27.9% |
| Net income | 1,485 | 11.2% | **1,266** | **9.1%** | - 219 | -14.8% |
| Overall personnel costs | 6,000 | 45.2% | **6,854** | **49.5%** | 854 | 14.2% |
| *Excluding retirement benefits expenses | | | | | | |
| Gross Profit | 9,504 | 71.6% | **9,857** | **71.2%** | 353 | 3.7% |
| Operating Income | 2,359 | 17.8% | **2,088** | **15.1%** | - 270 | - 11.5% |
| Overall personnel costs | 5,973 | 45.0% | **6,448** | **46.6%** | 475 | 8.0% |

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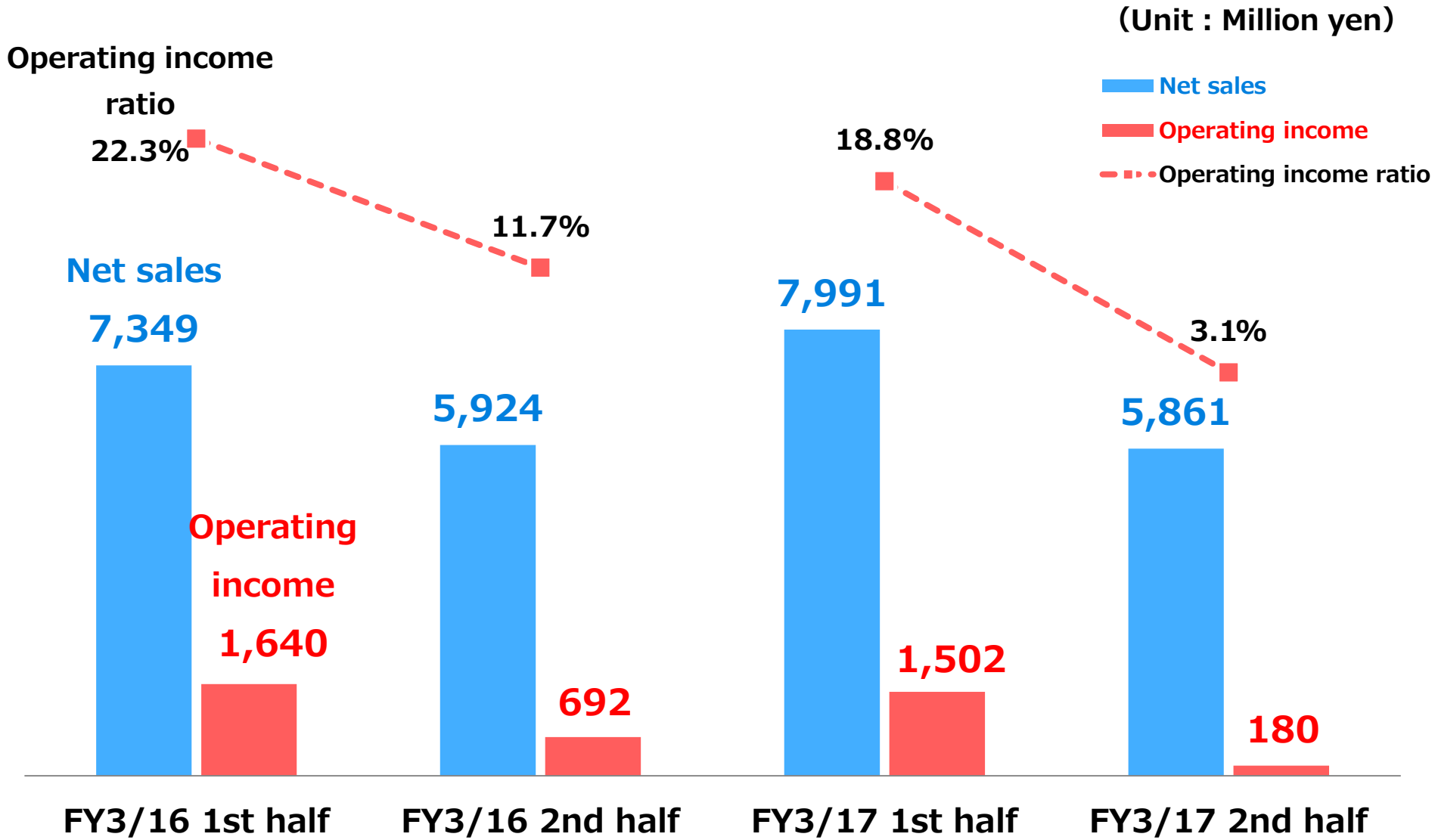
# FY3/17 Factors for Changes in Operating Income (YoY)

- Operating income decreased by 649 million yen (-27.9%)

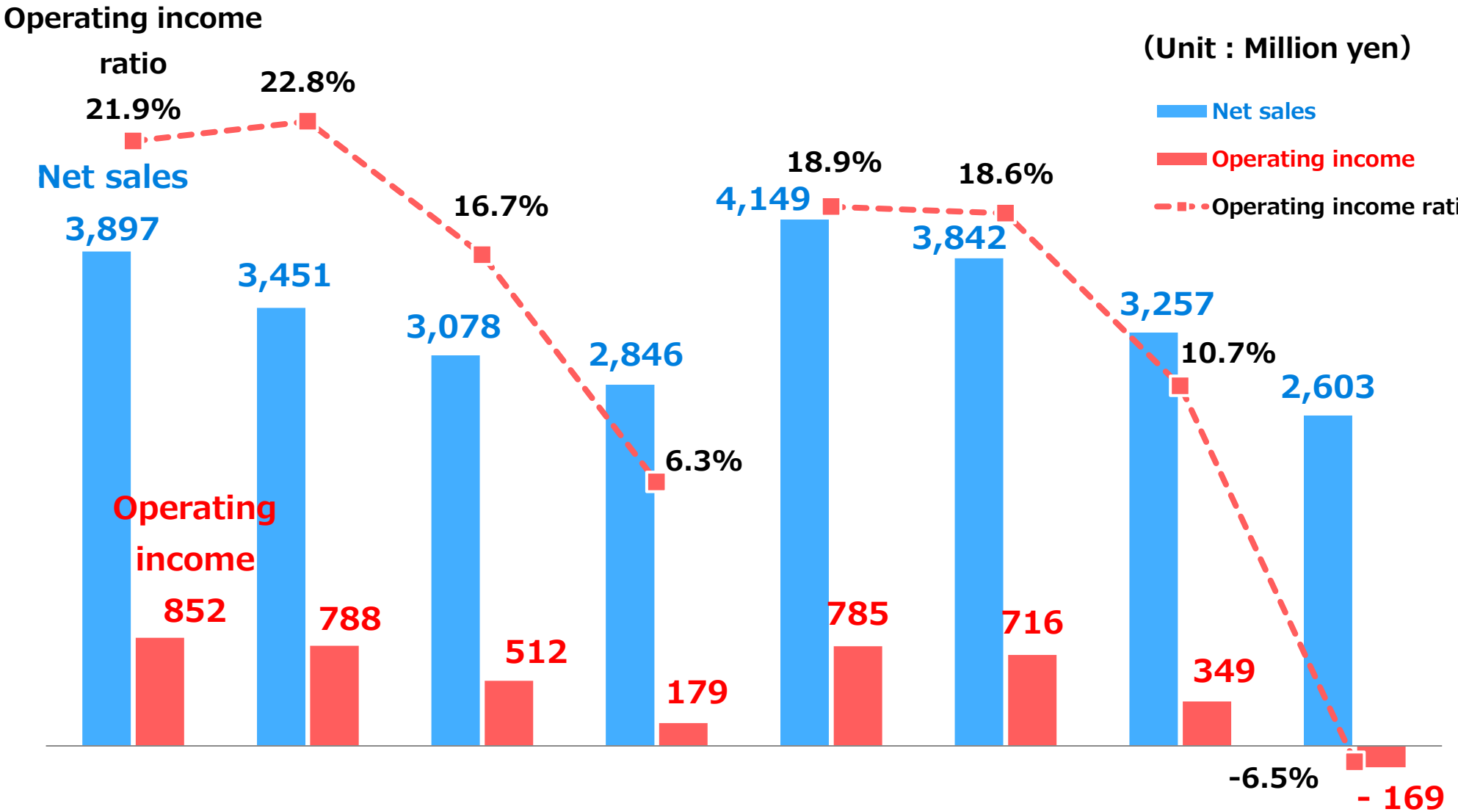
| Unit: Million yen | Amount | Change in Ratio | Main factors for changes |
|---|---|---|---|
| **FY3/16 Operating income** | **2,332** | **－** | |
| Increase in net sales | 578 | ＋4.4% | |
| Increase in material costs | 96 | ＋6.0% | Changes of the composition of sales |
| Increase in labor costs | 157 | ＋11.8% | Increase in retirement benefits expenses : 68 million yen |
| Increase in personnel expenses | 697 | ＋14.9% | Increase in retirement benefits expenses : 310 million yen |
| Increase in recruiting expenses | 25 | ＋12.1% | |
| Increase in advertising expenses | 57 | ＋19.3% | |
| Increase in repair expenses | 64 | ＋71.0% | |
| Increase in supplies expenses | 29 | ＋57.5% | |
| Increase in taxes and dues | 27 | ＋23.5% | Increase in pro-forma standard taxation |
| Increase in other operating expenses | 72 | ＋2.8% | |
| **FY3/17 Operating income** | **1,682** | **- 27.9%** | |

# FY3/17 Profit and Loss by First Half and Second Half

- There is a seasonal variation that operating efficiency is high in the first half due to a peak season and operating efficiency is low in the second half due to a slowdown in demand



# FY3/17 Profit and Loss by Quarter



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# FY3/17 Sales Composition

- Termite control for new customers increased by 2.8% and anti-earthquake measures increased by 2.4%
- Others increased by 21.0% due to increase in renovations, etc.

| (Unit: Million yen) | FY3/16 | | FY3/17 | | YoY | |
|---|---|---|---|---|---|---|
| | Results | Composition Ratio | **Results** | **Composition Ratio** | Change | Change in Ratio |
| Net sales | 13,273 | – | **13,852** | – | 578 | 4.4% |
| Anti-termite measures | 5,620 | 42.3% | **5,807** | **41.9%** | 186 | 3.3% |
| New | 3,157 | 23.8% | **3,247** | **23.4%** | 89 | 2.8% |
| Renewal | 2,463 | 18.6% | **2,560** | **18.5%** | 97 | 4.0% |
| Anti-humidity measures | 3,179 | 24.0% | **3,353** | **24.2%** | 174 | 5.5% |
| Anti-earthquake measures | 3,874 | 29.2% | **3,966** | **28.6%** | 91 | 2.4% |
| Others | 598 | 4.5% | **724** | **5.2%** | 125 | 21.0% |

- Anti-termite measures: termite control
  Anti-humidity measures: under-floor ventilation systems
  Anti-earthquake measures: repair housing foundations and housing reinforcement

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# FY3/17 Net Sales by Service (By First Half and Second Half)

- Lack of skills due to a slowdown in demand and low adaptability to changes in operating system are the factors for decrease in net sales in the second half
- Renewal termite control for existing customers increased in both the first half and second half due to increased number of houses and maintained renewal rate

| Unit: Million yen | First half | | | | Second half | | | |
|---|---|---|---|---|---|---|---|---|
| | FY3/16 | **FY3/17** | Change | Change in Ratio | FY3/16 | **FY3/17** | Change | Change in Ratio |
| Net sales | 7,349 | **7,991** | 642 | 8.7% | 5,924 | **5,861** | - 63 | - 1.1% |
| Anti-termite measures | 3,294 | **3,549** | 254 | 7.7% | 2,326 | **2,257** | - 68 | - 2.9% |
| New | 1,855 | **2,039** | 183 | 9.9% | 1,301 | **1,207** | - 94 | - 7.3% |
| Renewal | 1,438 | **1,509** | 71 | 4.9% | 1,024 | **1,050** | 26 | 2.6% |
| Anti-humidity measures | 1,814 | **2,003** | 189 | 10.4% | 1,365 | **1,350** | - 15 | - 1.1% |
| Anti-earthquake measures | 1,930 | **2,027** | 97 | 5.0% | 1,943 | **1,938** | - 5 | - 0.3% |
| Others | 309 | **410** | 100 | 32.6% | 289 | **314** | 25 | 8.7% |

# FY3/17 Number of Staffs, Sales per Staff

| | FY3/16 | FY3/17 | YoY | |
|---|---|---|---|---|
| | Results | **Results** | Change | Change in Ratio |
| Net Sales (Million yen) | 13,273 | **13,852** | 578 | 4.4% |
| Within the three services | 12,675 | **13,127** | 452 | 3.6% |
| Average number of staffs during the period | 937 | **1,029** | 93 | 9.9% |
| Within the three services | 776 | **834** | 57 | 7.4% |
| Sales per staff (Thousand yen/month) | 1,181 | **1,121** | - 59 | - 5.0% |
| Within the three services | 1,360 | **1,312** | - 48 | - 3.6% |
| Number of staffs at end of period | 983 | **1,067** | 84 | 8.5% |

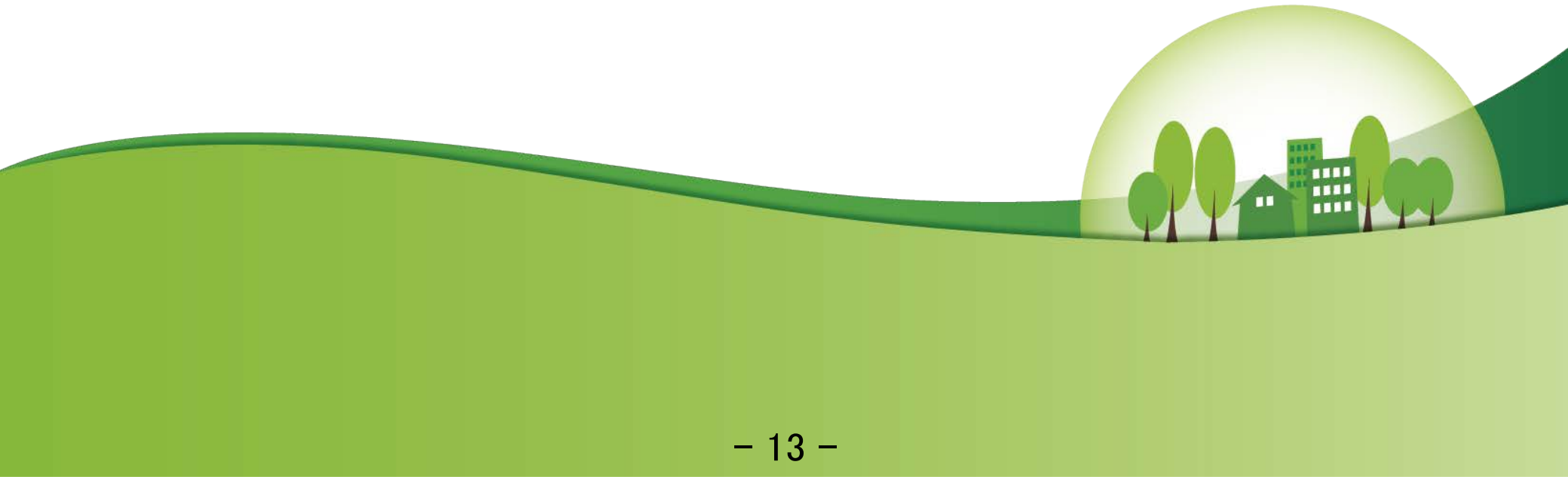
- ”Number of staffs”: total number of staffs actually working including contract employees, part-time workers, and casual workers
- ”Sales of three services”: total sales of anti-termite measures, anti-humidity measures and anti-earthquake measures
- ”Number of staffs for three services”: total of staffs engaging in sales, technical, and clerical work and management of operational sites

# FY3/17 Staffs

- Out of the total 93 new staffs, number of staffs for three services increased by 57
- Out of the increased number of staffs for three services, AS, AL and technical casual workers increased by 23

| Unit: Persons (Average. during the period) | FY3/16 | FY3/17 | YoY | |
|---|---|---|---|---|
| | Results | **Results** | Change | Change in Ratio |
| Total number of staffs (①) | 937 | **1,029** | 93 | 9.9% |
| Staffs for three services (②) (Head office excluded) | 776 | **834** | 57 | 7.4% |
| Within AS and AL in sales position(③) | 15 | **27** | 12 | 82.7% |
| Within technical casual workers （④) | 0 | **11** | 11 | — |
| Others （②－③－④) | 762 | **795** | 34 | 4.5% |
| Number of staffs excluding staffs for three services （①－②) | 160 | **195** | 35 | 22.0% |
| Within casual workers engaged in laundry | 0 | **26** | 26 | — |

# Ⅱ. Business Forecasts for FY3/18



# FY3/18 Forecasts of Profit and Loss

- Net sales to increase by 880 million yen due mainly to increase in sales per staff
- Operating income to increase by 578 million yen due to 243 million yen decrease in retirement benefits expenses
- Operating income ratio to increase by 3.2 percentage points

| Unit: Million yen | FY3/17 | | FY3/18 | | YoY | |
|---|---|---|---|---|---|---|
| | Results | Composition Ratio | **Forecasts** | **Composition Ratio** | Change | Change in Ratio |
| Net sales | 13,852 | – | **14,732** | – | 880 | 6.4% |
| Cost of sales | 4,068 | 29.4% | **4,161** | **28.2%** | 92 | 2.3% |
| Gross profit | 9,784 | 70.6% | **10,571** | **71.8%** | 787 | 8.0% |
| SG&A | 8,101 | 58.5% | **8,309** | **56.4%** | 208 | 2.6% |
| Operating income | 1,682 | 12.1% | **2,261** | **15.4%** | 578 | 34.4% |
| Ordinary income | 1,686 | 12.2% | **2,273** | **15.4%** | 587 | 34.8% |
| Net income | 1,266 | 9.1% | **1,488** | **10.1%** | 222 | 17.6% |
| EPS (Yen) | 102.59 | – | **120.61** | – | 18.02 | 17.6% |

# FY3/18 Factors for Changes in Operating Income (YoY)

- Operating income to increase by 578 million yen (+34.4%)

| Unit: Million yen | Amount | Change in Ratio | Main factors for changes |
|---|---|---|---|
| **FY3/17 Operating income** | **1,682** | – | |
| Increase in net sales | 880 | +6.4% | |
| Increase in material costs | 119 | +7.0% | |
| Decrease in labor costs | 65 | - 4.4% | Decrease in retirement benefits expenses: 45 million yen |
| Decrease in subcontract processing expenses | 22 | - 21.7% | Decrease in orders for renovations |
| Increase in vehicle expenses | 27 | +20.9% | Rising cost of gasoline expenses |
| Increase in personnel expenses | 33 | +0.6% | Decrease in retirement benefits expenses: 198 million yen |
| Decrease in recruiting expenses | 27 | - 11.5% | |
| Increase in advertising expenses | 16 | +4.7% | |
| Increase in rents | 67 | +14.6% | |
| Decrease in repair expenses | 18 | - 11.7% | |
| Increase in other operating expenses | 172 | – | |
| **FY3/18 Operating income forecast** | **2,261** | **+34.4%** | |

# Forecasts for FY3/18 Sales Composition

| (Unit: Million yen) | FY3/17 | | FY3/18 | | YoY | |
|---|---|---|---|---|---|---|
| | Results | Composition Ratio | **Forecasts** | **Composition Ratio** | Change | Change in Ratio |
| Net sales | 13,852 | — | **14,732** | — | 880 | 6.4% |
| Anti-termite measures | 5,807 | 41.9% | **6,188** | **42.0%** | 380 | 6.6% |
| New | 3,247 | 23.4% | **3,489** | **23.7%** | 241 | 7.4% |
| Renewal | 2,560 | 18.5% | **2,699** | **18.3%** | 138 | 5.4% |
| Anti-humidity measures | 3,353 | 24.2% | **3,589** | **24.4%** | 235 | 7.0% |
| Anti-earthquake measures | 3,966 | 28.6% | **4,248** | **28.8%** | 281 | 7.1% |
| Others | 724 | 5.2% | **707** | **4.8%** | - 17 | - 2.4% |

- Anti-termite measures: termite control
  Anti-humidity measures: under-floor ventilation systems
  Anti-earthquake measures: repair housing foundations and housing reinforcement

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# FY3/18 Number of Staffs, Sales per Staff

- 1.2% increase in the average number of staffs and 5.5% increase in sales per staff are the factors for 6.8% increase in sales of three services

| | FY3/17 | FY3/18 | YoY | |
|---|---|---|---|---|
| | Results | **Forecasts** | Change | Change in Ratio |
| Net Sales (Million yen) | 13,852 | **14,732** | 880 | 6.4% |
| Within the three services | 13,127 | **14,025** | 897 | 6.8% |
| Average number of staffs during the period | 1,029 | **1,049** | 20 | 2.0% |
| Within the three services | 834 | **844** | 10 | 1.2% |
| Sales per staff (Thousand yen/month) | 1,121 | **1,170** | 48 | 4.3% |
| Within the three services | 1,312 | **1,384** | 72 | 5.5% |
| Number of staffs at end of period | 1,067 | **1,077** | 10 | 0.9% |

- ”Number of staffs”: total number of staffs actually working including contract employees, part-time workers, and casual workers
- ”Sales of three services”: total sales of anti-termite measures, anti-humidity measures and anti-earthquake measures
- ”Number of staffs for three services”: total of staffs engaging in sales, technical, and clerical work and management of operational sites

# FY3/18 Staffs

- Out of the total 20 new staffs, number of staffs for three services to increase by 10
- Out of the increased number of staffs for three services, AS, AL and technical casual workers to decrease by 1

| Unit: Persons (Average during the period) | FY3/17 | FY3/18 | YoY | |
|---|---|---|---|---|
| | Results | **Results** | Change | Change in Ratio |
| Total number of staffs (①) | 1,029 | **1,049** | 20 | 2.0% |
| Staffs for three services (②) (Head office excluded) | 834 | **844** | 10 | 1.2% |
| Within AS and AL in sales position(③) | 27 | **28** | 1 | 3.4% |
| Within technical casual workers （④） | 11 | **10** | - 2 | - 14.3% |
| Others （②－③－④） | 795 | **806** | 11 | 1.4% |
| Number of staffs excluding staffs for three services （①－②） | 195 | **205** | 10 | 5.1% |
| Within casual workers engaged in laundry | 26 | **28** | 2 | 9.1% |

# FY3/18 Sales Promotion Plan [Termite Busters]

- Create a new Termite Busters logo and TV commercial

## ～TV commercial～







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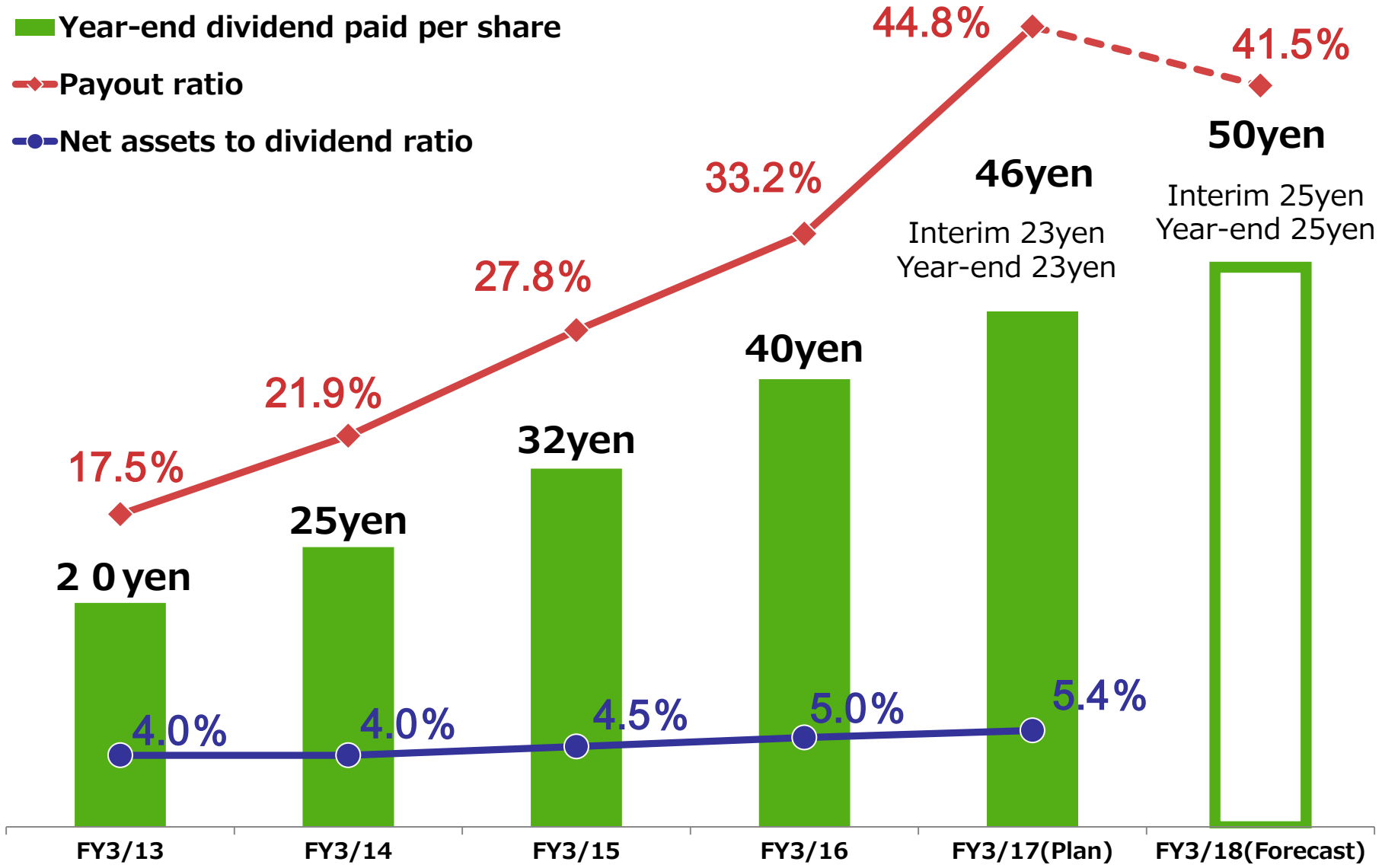
# Planned Dividend and Forecasts

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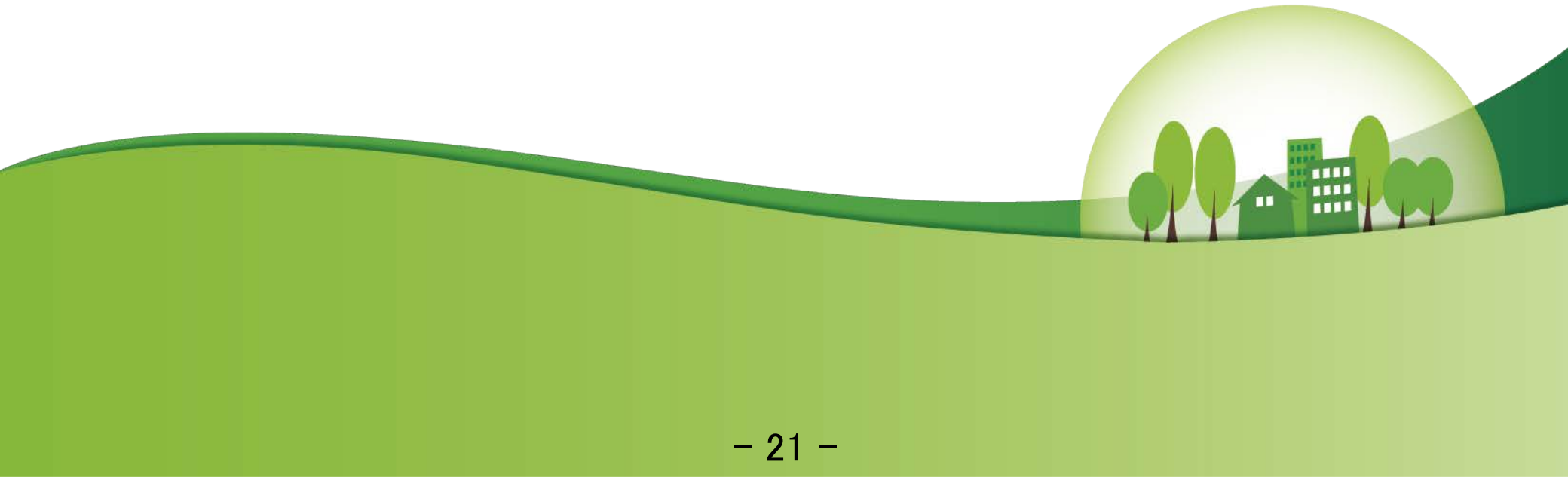
# Ⅲ. FY3/18 Mid-term Business Plan



# Mid-term Business Plan【Policy】

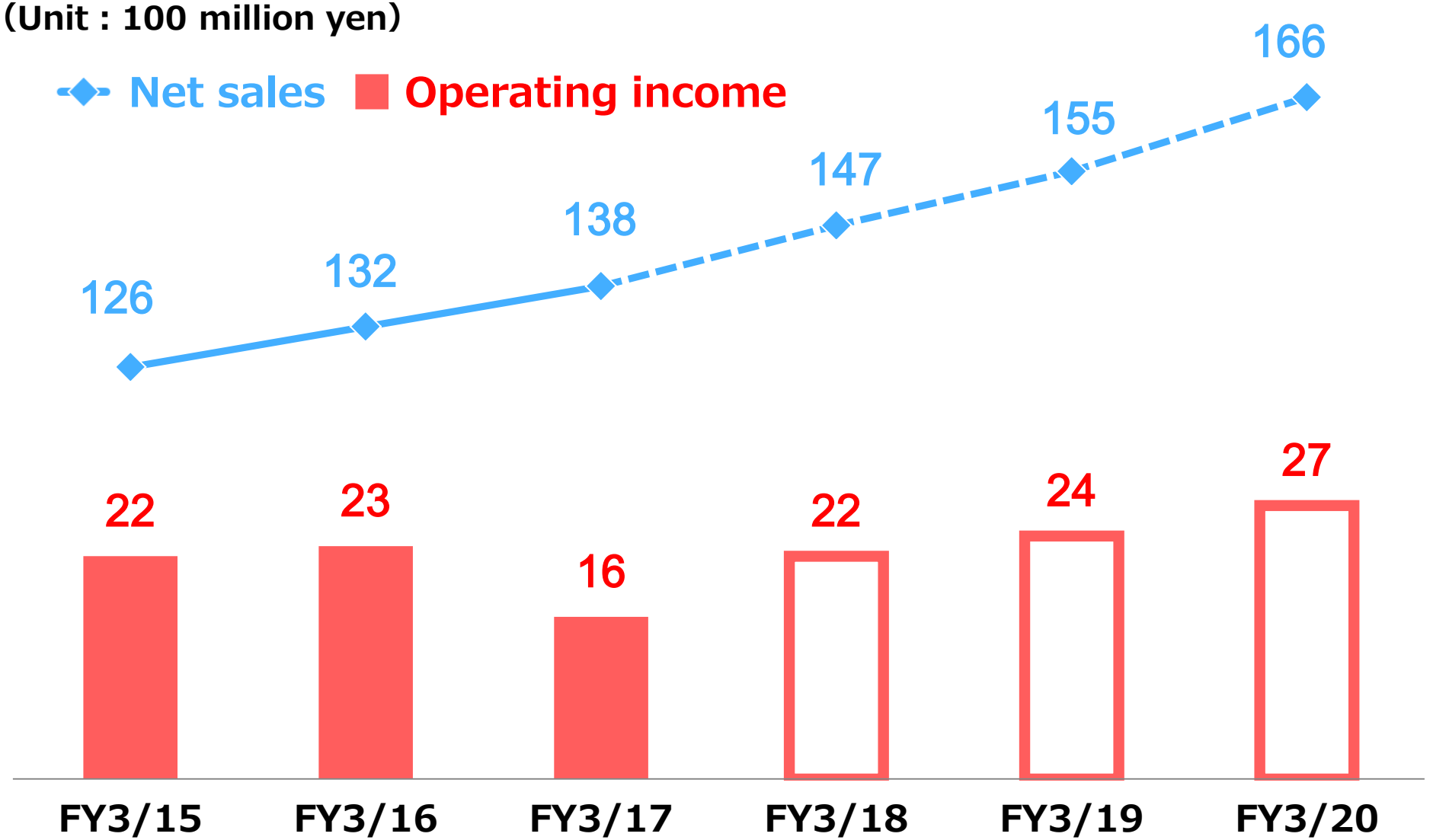
## Mid-term business policy

1. **Improvement in operating efficiency**
2. **Expansion of operating areas**
3. **Promotion of low cost operation**

- Productivity improvement due increase in sales per staff
- Increase in houses subject to our services due to expansion of operating areas
- Improvement in operating income ratio

# Mid-term Business Plan【 Target 】

(Unit : 100 million yen)

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# Mid-term Profit and Loss Statement

- FY3/20 Net sales:16.6 billion yen, Operating income: 2.7 billion yen, Net income: 1.8 billion yen

| Unit: Million yen | FY3/17 | FY3/18 | FY3/19 | FY3/20 | | |
|---|---|---|---|---|---|---|
| | Results | Forecasts | Forecasts | **Forecasts** | Compared to FY3/17 | |
| | | | | | Change | Change in Ratio |
| Net sales | 13,852 | 14,732 | 15,586 | **16,646** | 2,793 | 20.2% |
| YoY change in ratio | 4.4% | 6.4% | 5.8% | **6.8%** | — | — |
| Operating income | 1,682 | 2,261 | 2,498 | **2,764** | 1,081 | 64.3% |
| YoY change in ratio | - 27.9% | 34.4% | 10.5% | **10.6%** | — | — |
| Operating income ratio | 12.1% | 15.4% | 16.0% | **16.6%** | + 4.5pt | — |
| Net income | 1,266 | 1,488 | 1,661 | **1,846** | 579 | 45.8% |
| YoY change in ratio | - 14.8% | 17.6% | 11.6% | **11.1%** | — | — |
| Net income margin | 9.1% | 10.1% | 10.7% | **11.1%** | +1.9pt | — |

# Plan of Number of Staffs, Sales per Staff

| | FY3/17 | FY3/18 | FY3/19 | FY3/20 | | |
|---|---|---|---|---|---|---|
| | Results | Forecasts | Forecasts | **Forecasts** | Compared to FY3/17 | |
| | | | | | Change | Change in Ratio |
| Net Sales (Million yen) | 13,852 | 14,732 | 15,586 | **16,646** | 2,793 | 20.2% |
| Average number of staffs during the period | 1,029 | 1,049 | 1,097 | **1,149** | 120 | 11.7% |
| YoY change in ratio | 9.9% | 2.0% | 4.6% | **4.7%** | — | — |
| Sales per staff (Thousand yen/month) | 1,121 | 1,170 | 1,183 | **1,207** | 85 | 7.6% |

- ”Number of staffs”: total number of staffs actually working including contract employees, part-time workers, and casual workers
- ”Sales of three services”: total sales of anti-termite measures, anti-humidity measures and anti-earthquake measures
- ”Number of staffs for three services”: total of staffs engaging in sales, technical, and clerical work and management of operational sites

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Notes on Future Forecasts

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