Financial Results for the Second Quarter Ended September 30, 2017

November 10, 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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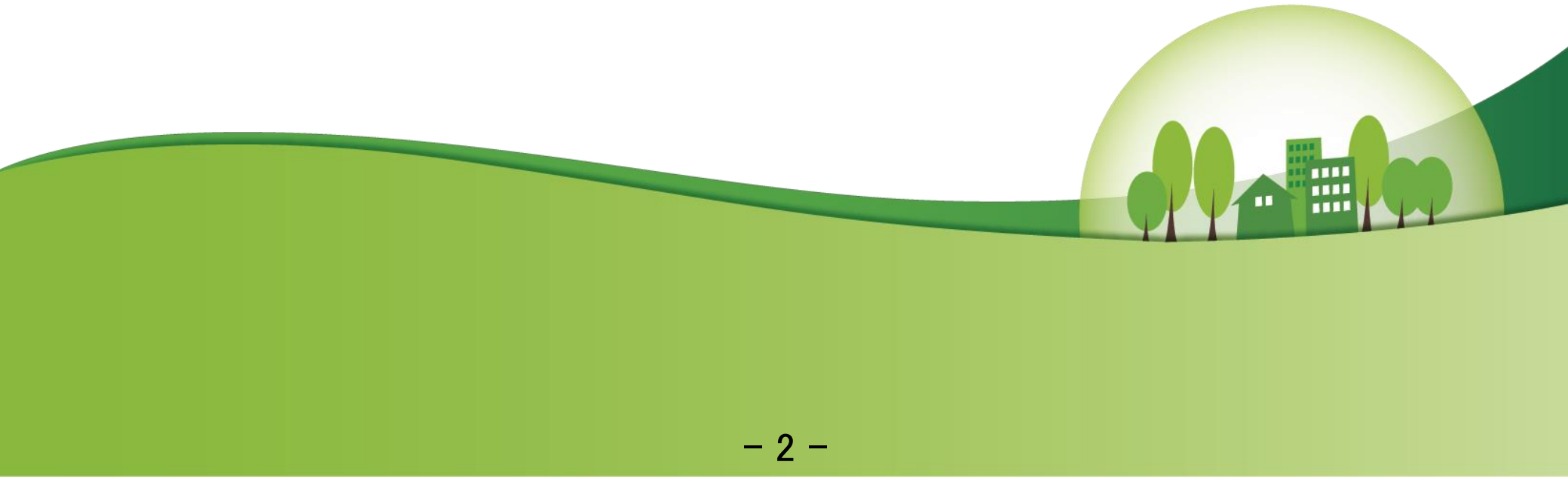
Ⅰ. Overview of Financial Results for the Second Quarter



Business Environment

- Interest in appropriate maintenance of wooden houses increased
  - Policy to promote the distribution and use of existing houses
  - Expectations for long-life existing houses (sustain value)

⇩

Raised social awareness of the Company's industry

- Consumer sentiment recovered but lacks forcefulness

- Consumers' consciousness towards savings remain strong

Trends in National Policy

The direction of government's efforts (Housing Life Master Plan)

- Shift to a new housing circulation system
  - From "build and tear down" to "create good products, maintains them properly and takes care of them in the long-run"
  - Improvement of environment **for distribution of existing houses and expansion of renovation market**
- Reduce burden of housing costs of young and families with children (increase in good quality existing houses)

The direction of MLIT's efforts

* MLIT …Ministry of Land, Infrastructure, Transport and Tourism

- **Extension of lifetime of existing housing stock**
- Formation of good quality housing stock and utilization of existing house distribution and renovation market
- **Anti-earthquake measures**
- **Measures against vacant houses** (promote the practical use and the demolition of vacant houses)

Specific Initiatives

1. Raise awareness of services

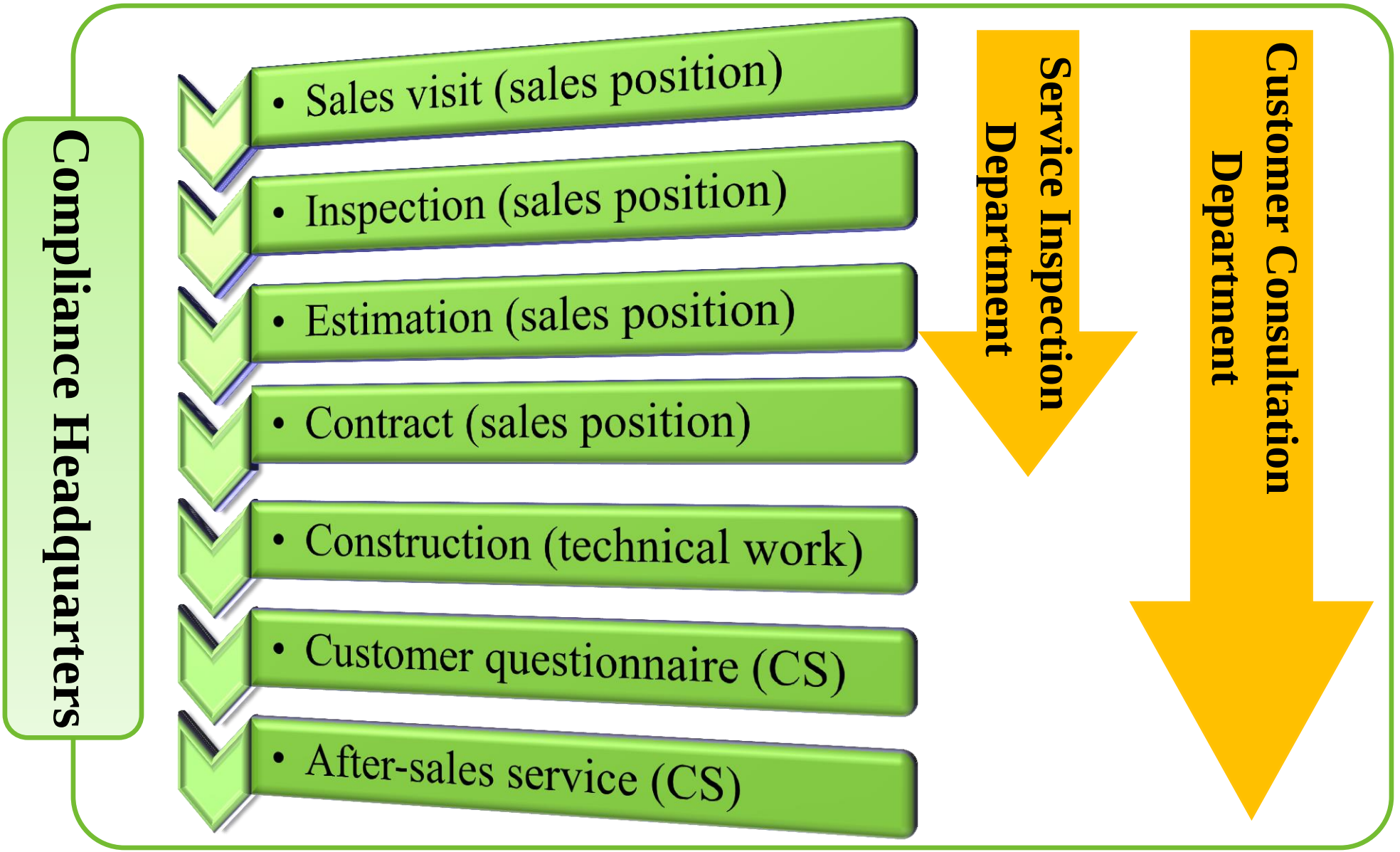
2. Enhancement of compliance system

3. Enhancement of education system

4. Fixation of business process reengineering

Compliance System

A thorough compliance system that creates trust and competitiveness



Advertisement and Sales Promotion

Broadcast of new commercial

- Broadcast new “Termite Busters” commercial



Active use of detection dogs

- The first termite detection dogs in the Kansai region are particularly active in both inspection and publicity



I work in Kansai area

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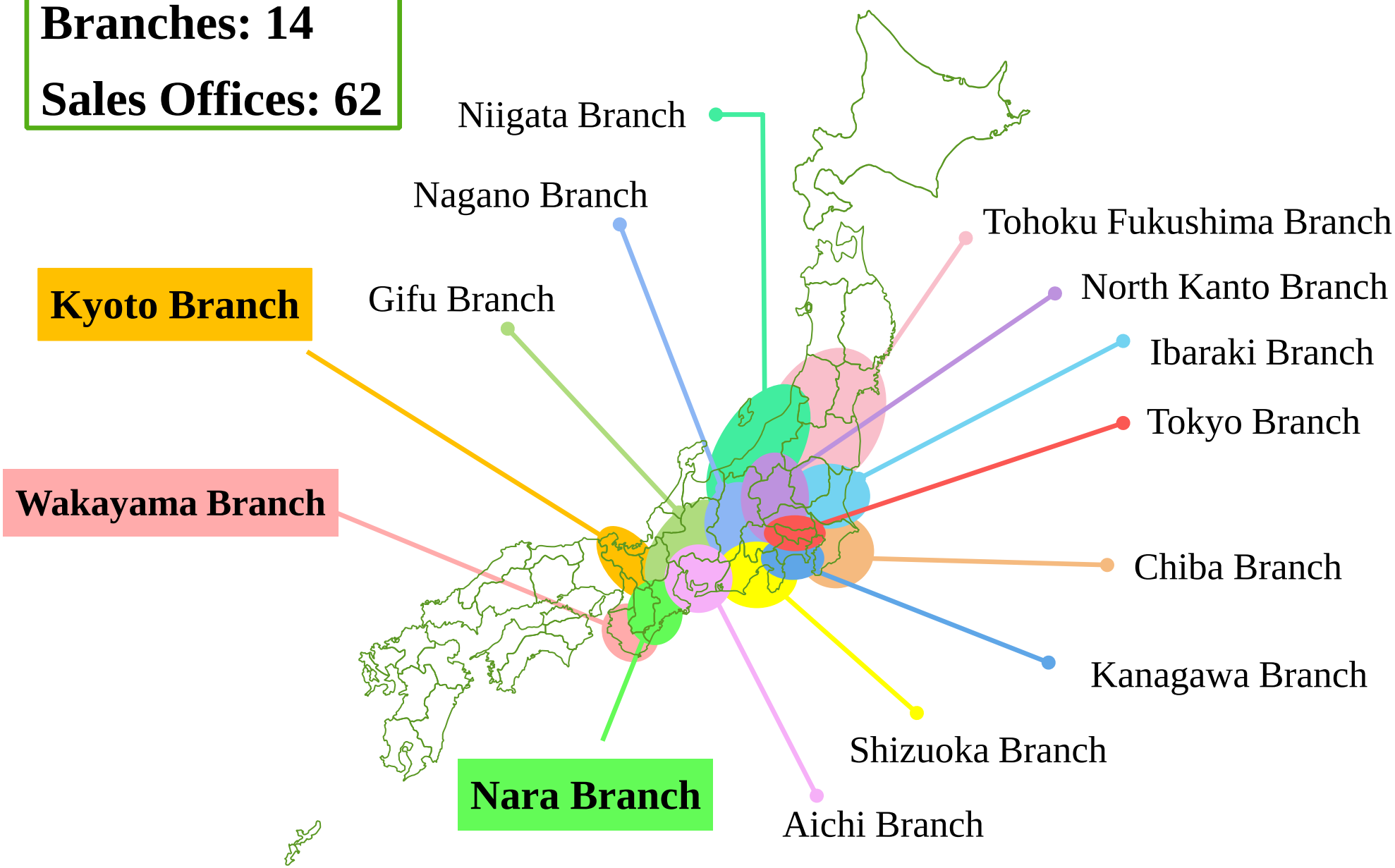
Marketing Areas

Branches: 14

Sales Offices: 62



Results for Profit and Loss (1H)

- Net sales decreased by 171 million yen, operating income increased by 48 million yen
- Gross profit decreased by 96 million yen, gross profit ratio increased by 0.3 percentage points
- Operating income increased by 48 million yen, operating income ratio increased by 1.0 percentage points

(Unit: Million yen)	FY3/17 1H		FY3/18 1H		YoY	
	Results	Composition Ratio	**Results**	**Composition Ratio**	Change	Change in Ratio
Net Sales	7,991	–	**7,820**	**–**	-171	-2.1%
Gross Profit	5,748	71.9%	**5,651**	**72.3%**	-96	-1.7%
Operating Income	1,502	18.8%	**1,551**	**19.8%**	48	3.3%
Ordinary Income	1,514	19.0%	**1,579**	**20.2%**	65	4.3%
Net Income	1,005	12.6%	**1,052**	**13.5%**	46	4.6%
EPS (yen)	81.49	–	**85.24**	**–**	3.75	4.6%

Ratios to Estimates

- Net sales　Achievement ratio on 1H forecasts: 93.9%
  Progress ratio on full-year forecasts: 53.1%
- Operating income　Achievement ratio on 1H forecasts: 94.4%
  Progress ratio on full-year forecasts: 68.6%

(Unit: Million yen)	FY3/18 1H			FY3/18 Full-year	
	Results	Forecasts	Achievement ratio	Forecasts	Progress ratio
Net Sales	7,820	8,328	93.9%	14,732	53.1%
Gross Profit	5,651	6,052	93.4%	10,571	53.5%
Operating Income	1,551	1,642	94.4%	2,261	68.6%
Ordinary Income	1,579	1,638	96.4%	2,273	69.5%
Net Income	1,052	1,091	96.4%	1,488	70.7%
EPS (yen)	85.24	88.45	96.4%	120.61	70.7%

Results for Net Sales by Service (1H)

- Sales of anti-termite measures increased by 0.3%, within new customers decreased by 5.0%, repeat customers increased by 7.4%
- Anti-humidity measures decreased by 6.8%, anti-earthquake measures remained at 0.2% increase
- Other services decreased by 12.4% due to decrease in renovations, etc.

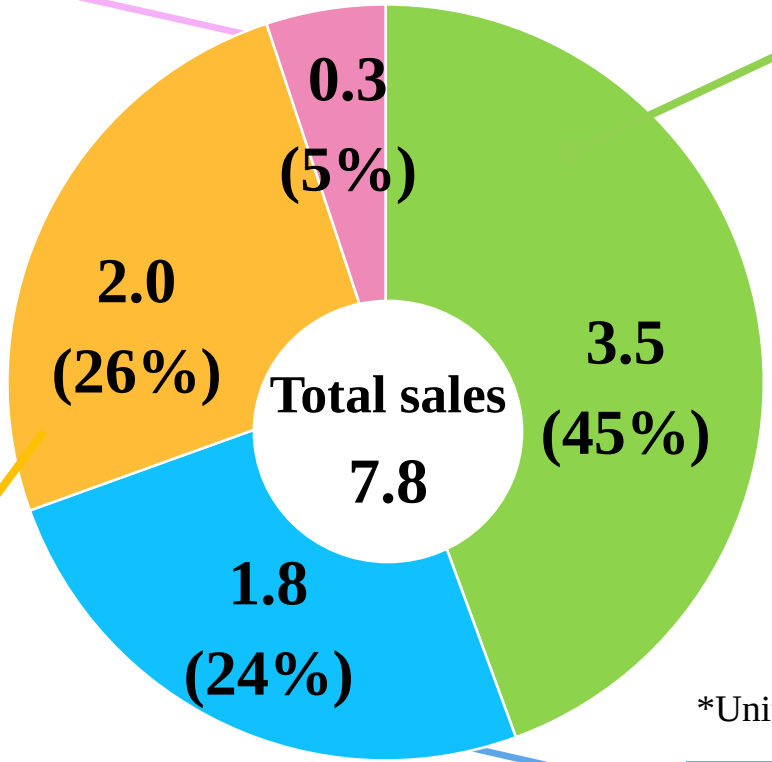
(Unit: Million yen)	FY3/17 1H		FY3/18 1H		YoY	
	Results	Composition Ratio	**Results**	**Composition Ratio**	Change	Change in Ratio
Net Sales	7,991	–	**7,820**	**–**	-171	-2.1%
Anti-termite Measures	3,549	44.4%	**3,560**	**45.5%**	10	0.3%
New	2,039	(57.5%) *	**1,938**	**(54.4%) ***	-101	-5.0%
Renewal	1,509	(42.5%) *	**1,621**	**(45.6%) ***	111	7.4%
Anti-humidity Measures	2,003	25.1%	**1,868**	**23.9%**	-135	-6.8%
Anti-earthquake Measures	2,027	25.4%	**2,032**	**26.0%**	4	0.2%
Others	410	5.1%	**359**	**4.6%**	-50	-12.4%

- Anti-termite measures : Termite Control　Anti-humidity measures : Underfloor Ventilation Systems
  Anti-earthquake measures : Repair Housing Foundations/Housing Reinforcement

*Composition ratio to sales of termite control

Results for Net Sales by Service (1H)

Other
- Pest Control
- Housing Renovation
- Others



*Unit: Billion yen

【Anti-termite Measures】



【Anti-earthquake measures】

Repair Housing Foundations



Housing Reinforcement



【Anti-humidity Measures】

Underfloor Ventilation Fans



Humidity Adjusting Materials



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Forecasts for Net Sales by Service (Full-year)

No revisions from the figures announced on May 17

- Work for the recovery of new customers for termite control and anti-humidity measures by strengthening OJT focused on sales for new customers

(Unit: Million yen)	FY3/17 Full-year		FY3/18 Full-year		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	(55.9%) *	**3,489**	**(56.4%) ***	241	7.4%
Renewal	2,560	(44.1%) *	**2,699**	**(43.6%) ***	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 : Underfloor Ventilation Systems
  Anti-earthquake measures : Repair Housing Foundations/Housing Reinforcement

*Composition ratio to sales of termite control

Results for Number of Staffs, Sales per Staff (1H)

- Sales decreased by 2.1% as a result of 3.5% increase in the average number of staffs and 5.4% decrease in sales per staff
- Number of staffs at end of 2Q remained at 14 (1.4% increase) as a result of reducing recruiting activities

	FY3/17 1H	FY3/18 1H	YoY	
	Results	**Results**	Change	Change in Ratio
Net Sales (Million yen)	7,991	**7,820**	-171	-2.1%
Within the three services	7,581	**7,460**	-120	-1.6%
Average number of staffs during the period	1,031	**1,067**	36	3.5%
Within the three services	840	**862**	22	2.7%
Sales per staff (Thousand yen/month)	1,291	**1,221**	-69	-5.4%
Within the three services	1,504	**1,442**	-62	-4.1%
Number of staffs at end of 2Q	1,034	**1,048**	14	1.4%
Within the three services	838	**843**	5	0.6%

- ”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

Forecasts for Number of Staffs, Sales per Staff (Full-year)

No revisions from the figures announced on May 17

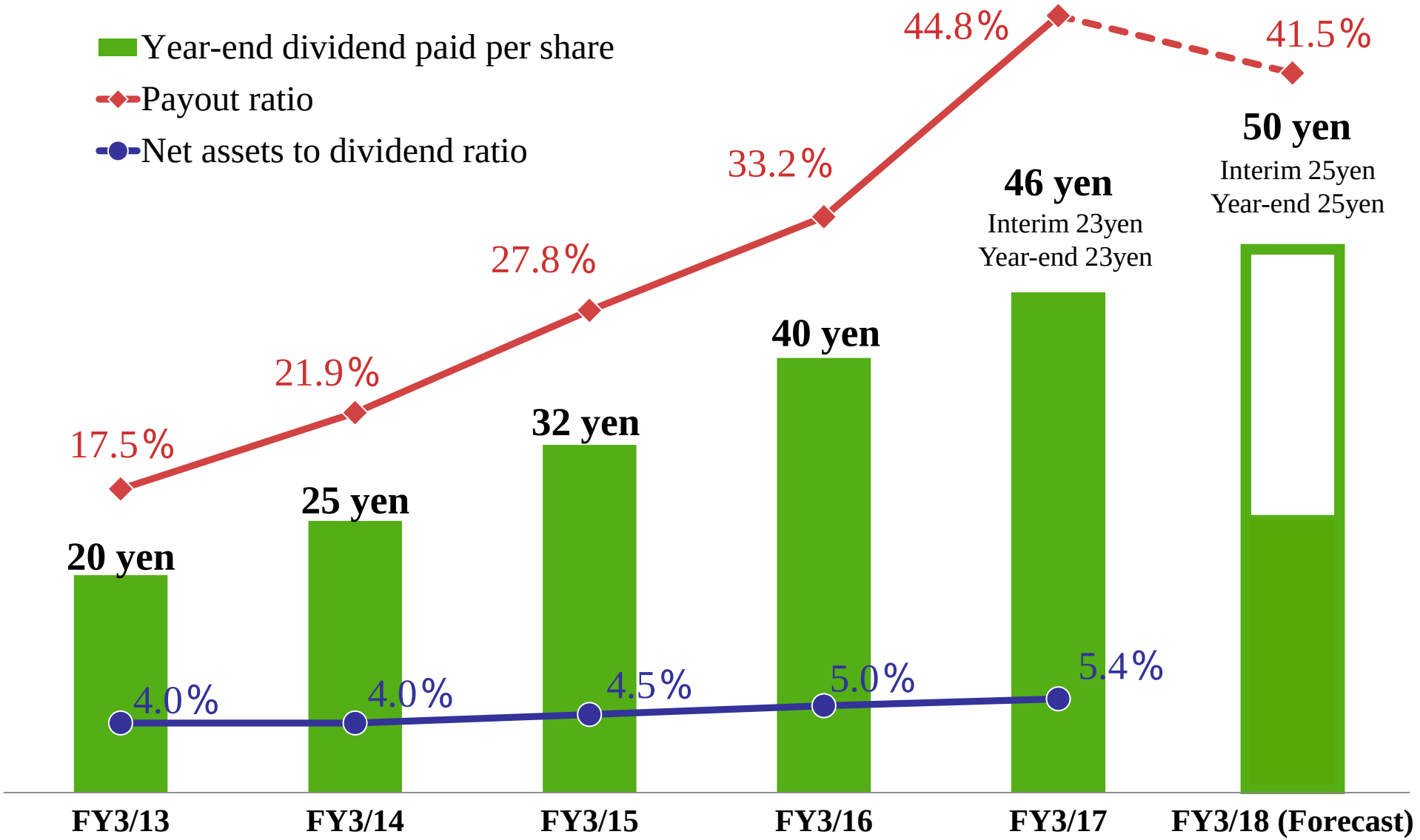
- 1.2% increase in the average number of staffs and 5.5% increase in sales per staff are the factors for 6.8% increase in sales of three services

	FY3/17 Full-year	FY3/18 Full-year	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%
Within the three services	865	**868**	3	0.3%

- ”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

Dividend Forecast

No revisions from the figures announced on May 17



Initiatives in the Second Half

1. Upskilling by strengthening education system

- Strengthen OJT with a focus on sales for new customers

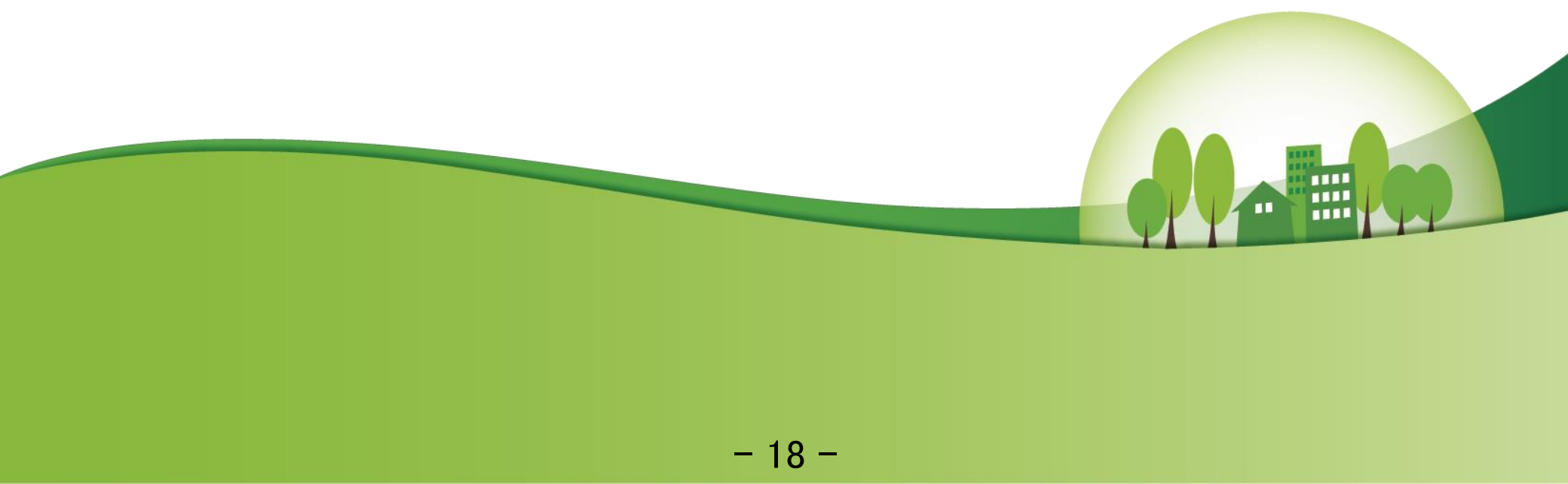
2. Enhancement of measures to raise awareness in the second half

- Hold a seminar on termites for the press

3. Strengthening of sales planning

- Improvement of operating efficiency due to active development of sales promotion and sales planning

Ⅱ. Details of Financial Results for the Second Quarter



Results for Profit and Loss (1H)

- Net sales decreased by 171 million yen, cost of sales decreased by 74 million yen, SG&A decreased by 145 million yen
- Operating income increased by 48 million yen
- Overall personnel cost ratio improved 0.7 percentage points

(Unit: Million yen)	FY3/17 1H		FY3/18 1H		YoY	
	Results	Composition Ratio	**Results**	**Composition Ratio**	Change	Change in Ratio
Net Sales	7,991	–	**7,820**	**–**	-171	-2.1%
Cost of Sales	2,242	28.1%	**2,168**	**27.7%**	-74	-3.3%
Gross Profit	5,748	71.9%	**5,651**	**72.3%**	-96	-1.7%
SG&A	4,246	53.1%	**4,100**	**52.4%**	-145	-3.4%
Operating Income	1,502	18.8%	**1,551**	**19.8%**	48	3.3%
Overall Personnel Costs	3,511	43.9%	**3,378**	**43.2%**	-133	-3.8%

Factors for Changes in Operating Income (1H)

- Operating expenses decreased by 220 million yen
- Of which the overall personnel costs decreased by 133 million yen due mainly to a decrease of 121 million yen in retirement benefits expenses

Unit: Million yen	Amount	Change in Ratio	Main factors for changes
FY3/17 1H Operating Income	1,502	–	
Net Sales	-171	-2.1%	
Material Costs	-13	-1.4%	Decrease in net sales
Subcontract Costs	-50	-66.6%	Decrease in other sales (renovation)
Labor Costs	-26	-3.3%	Decrease in retirement benefits expenses : 23 million yen
Other Cost of Sales	16	+4.1%	Increase in vehicle expenses, etc.
Personnel Expenses	-106	-4.0%	Decrease in retirement benefits expenses : 98 million yen
Recruiting Expenses	-12	-10.7%	Reduced recruiting activities
Advertising Expenses	-3	-1.0%	
Repair Expenses	-48	-48.7%	
Other SG & A Expenses	24	+2.4%	
FY3/18 1H Operating Income	1,551	3.3%	**Up 48 million yen YoY**

Results for Profit and Loss (1Q and 2Q)

- During the first quarter, net sales decreased by 3.0% YoY due to slow at adapting to improvement and standardization of sales process in the previous period

(Unit: Million yen)	FY3/18							
	1Q		YoY		2Q		YoY	
	Results	**Composition Ratio**	Change	Change in Ratio	Results	**Composition Ratio**	Change	Change in Ratio
Net sales	**4,025**	**–**	-123	-3.0%	**3,794**	**–**	-48	-1.3%
Cost of Sales	**1,113**	**27.7%**	-30	-2.7%	**1,055**	**27.8%**	-43	-4.0%
Gross Profit	**2,912**	**72.3%**	-92	-3.1%	**2,738**	**72.2%**	-4	-0.2%
SG&A	**2,164**	**53.8%**	-55	-2.5%	**1,936**	**51.0%**	-90	-4.5%
Operating Income	**748**	**18.6%**	-37	-4.8%	**802**	**21.2%**	86	12.1%
Overall Personnel Costs	**1,694**	**42.1%**	-70	-4.0%	**1,684**	**44.4%**	-62	-3.6%

Factors for Changes in Operating Income (1Q and 2Q)

(Unit: Million yen)	FY3/18			
	1Q		2Q	
	Amount	Change in Ratio	Amount	Change in Ratio
FY3/17 Operating income	785	–	716	–
Net Sales	-123	-3.0%	-48	-1.3%
Material Costs	-8	-1.8%	-4	-1.0%
Subcontract Costs	-9	-43.5%	-41	-75.6%
Labor Costs	-20	-4.7%	-6	-1.7%
Other Cost of Sales	7	+3.6%	8	+4.7%
Personnel Expenses	-50	-3.8%	-56	-4.1%
Recruiting Expenses	-4	-7.0%	-8	-15.0%
Advertising Expenses	1	+0.4%	-4	-9.1%
Repair Expenses	-18	-41.9%	-29	-54.1%
Other SG & A Expenses	16	+3.3%	+7	+1.6%
FY3/18 Operating income	748	-4.8%	802	+12.1%

Results for Net Sales by Service(1Q and 2Q)

- Net sales during the second quarter showed a recovery trend
  - Of which the 3 services increased by 0.2%
  - Anti-earthquake measures increased by 8.3% as a result of favorable sales for existing customers

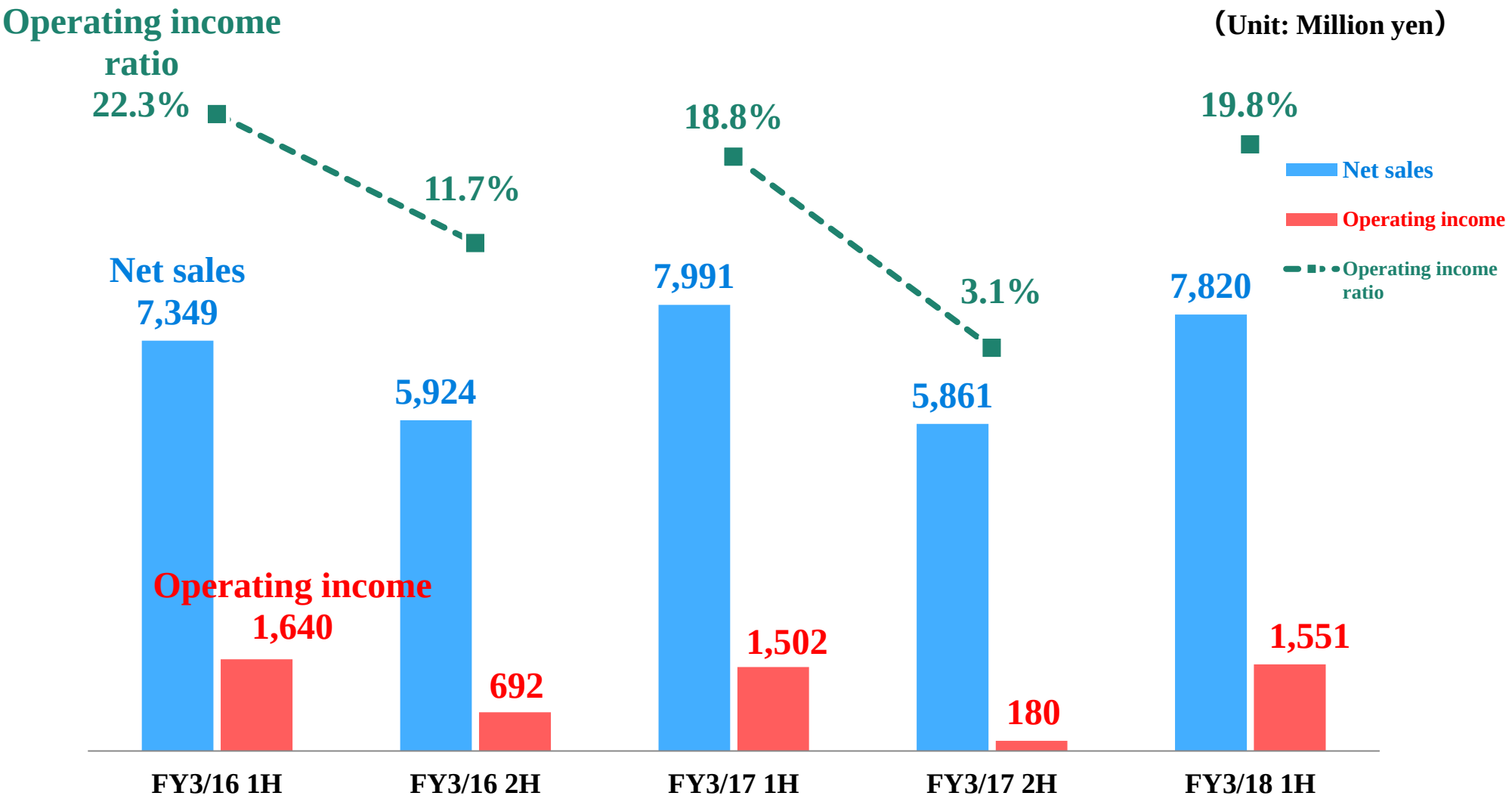
(Unit: Million yen)	FY3/18							
	1Q		YoY		2Q		YoY	
	Results	Composition Ratio	Change	Change in Ratio	Results	Composition Ratio	Change	Change in Ratio
Net Sales	4,025	–	-123	-3.0%	3,794	–	-48	-1.3%
Anti-termite Measures	1,967	48.9%	3	0.2%	1,592	42.0%	6	0.4%
New	1,073	(54.6%)*	-48	-4.3%	864	(54.3%)*	-53	-5.8%
Renewal	893	(45.4%)*	52	6.2%	727	(45.7%)*	59	8.9%
Anti-humidity Measures	950	23.6%	-50	-5.0%	917	24.2%	-85	-8.5%
Anti-earthquake Measures	925	23.0%	-80	-8.0%	1,107	29.2%	85	8.3%
Others	182	4.5%	3	2.1%	176	4.7%	-54	-23.5%

- Anti-termite measures : Termite Control　Anti-humidity measures : Underfloor Ventilation Systems
  Anti-earthquake measures : Repair Housing Foundations/Housing Reinforcement

*Composition ratio to sales of termite control

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



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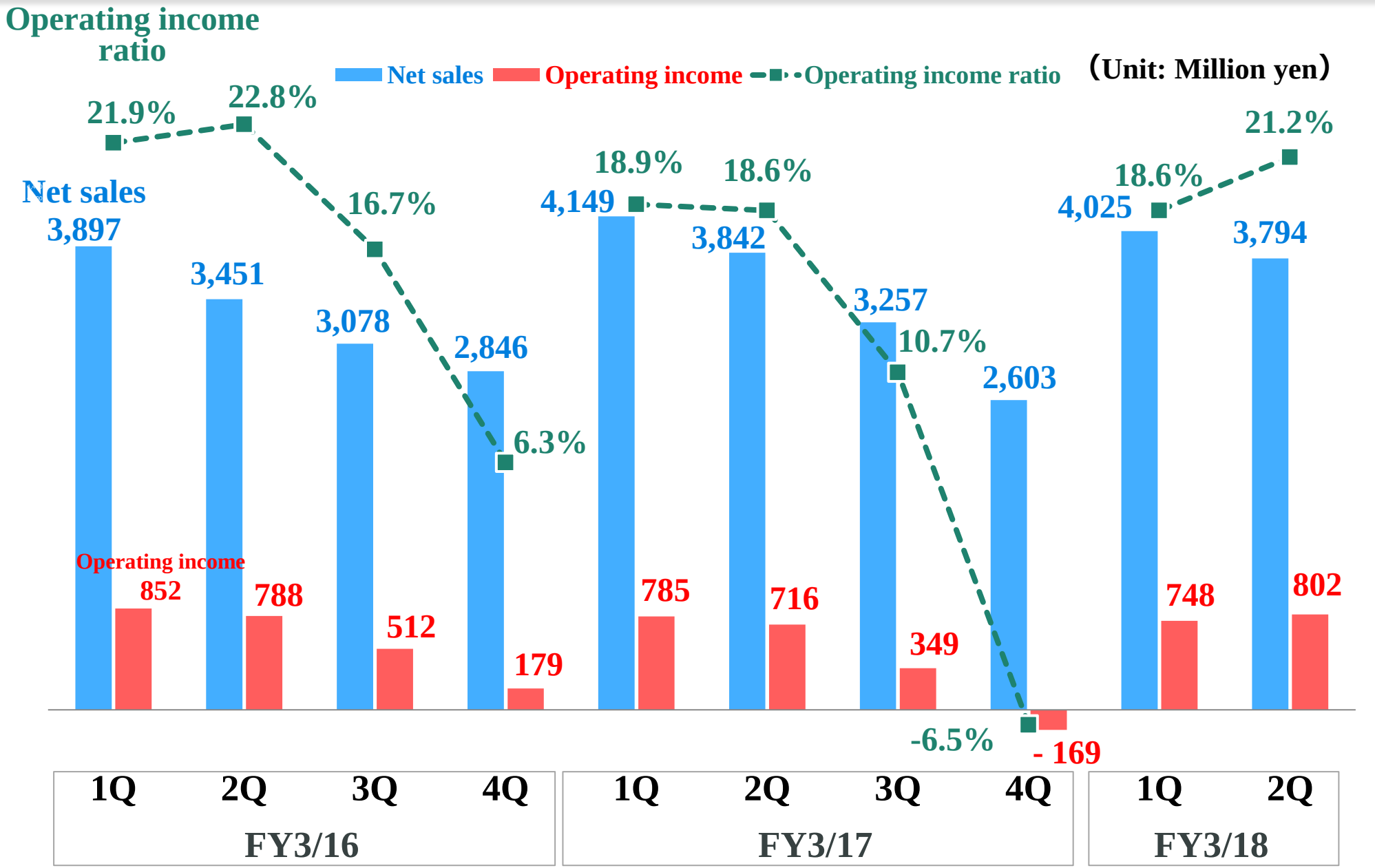
Profit and Loss by First Half and Second Half

(Unit: Million yen)	FY3/17							
	1H		YoY		2H		YoY	
	Results	Composition Ratio	Change	Change in Ratio	Results	Composition Ratio	Change	Change in Ratio
Net Sales	7,991	–	642	8.7%	5,861	–	-63	-1.1%
Gross Profit	5,748	71.9%	452	8.5%	4,035	68.9%	-167	-4.0%
Operating Income	1,502	18.8%	-138	-8.4%	180	3.1%	-511	-73.9%

(Unit: Million yen)	FY3/18			
	1H		YoY	
	Results	**Composition Ratio**	Change	Change in Ratio
Net Sales	**7,820**	**–**	-171	-2.1%
Gross Profit	**5,651**	**72.3%**	-96	-1.7%
Operating Income	**1,551**	**19.8%**	48	3.3%

Profit and Loss by Quarter



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Profit and Loss by Quarter

(Unit: Million yen)	FY3/17							
	1Q		2Q		3Q		4Q	
	Results	YoY	Results	YoY	Results	YoY	Results	YoY
Net Sales	4,149	6.5%	3,842	11.3%	3,257	5.8%	2,603	-8.5%
Operating Income	785	-7.8%	716	-9.1%	349	-31.8%	-169	–
Operating Income Ratio	18.9%	-2.9pt	18.6%	-4.2pt	10.7%	-5.9pt	–	–

(Unit: Million yen)	FY3/18			
	1Q		2Q	
	Results	YoY	Results	YoY
Net Sales	4,025	-3.0%	3,794	-1.3%
Operating Income	748	-4.8%	802	12.1%
Operating Income Ratio	18.6%	-0.4pt	21.2%	+2.5pt

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Number of Staffs, Sales per Staff (1Q and 2Q)

- Sales per staff during the second quarter showed a recovery trend due to the facilitation of adaptation of improvement and standardization of sales process

	FY3/18					
	1Q	YoY		2Q	YoY	
	Results	Change	Change in Ratio	Results	Change	Change in Ratio
Net Sales (Million yen)	4,025	-123	-3.0%	3,794	-48	-1.3%
Within the three services	3,843	-126	-3.2%	3,617	6	0.2%
Average number of staffs during the period	1,077	47	4.6%	1,057	24	2.4%
Within the three services	873	32	3.8%	851	13	1.5%
Sales per staff (Thousand yen/month)	1,246	-96	-7.2%	1,196	-43	-3.5%
Within the three services	1,467	-106	-6.7%	1,416	-18	-1.3%
Number of staffs at end of period	1,077	38	3.7%	1,048	14	1.4%
Within the three services	872	27	3.2%	843	5	0.6%

- ”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

Staffs（1H）

- Out of the total 36 staffs, number of staffs for three services increased by 22
- Out of the increased number of staffs for three services, AS, AL and technical casual workers decreased by 4

Unit: Persons (Average during the period)	FY3/17 1H	FY3/18 1H	YoY	
	Results	**Results**	Change	Change in Ratio
Total number of staffs (①)	1,031	**1,067**	36	3.5%
Staffs for three services (②) (Head office excluded)	840	**862**	22	2.7%
Within AS and AL in sales position(③)	26	**30**	5	18.3%
Within technical casual workers （④）	14	**5**	-8	-61.0%
Core staffs （②－③－④）	801	**827**	26	3.2%
Number of staffs excluding staffs for three services （①－②）	192	**205**	13	7.0%
Within casual workers engaged in laundry	24	**27**	3	14.0%

- ”AS in sales position”: Senior sales workers in charge of new sales
- ”AL in sales position”: Female sales workers in charge of new sales support
- ”Core staffs”: Excluding AS and AL in sales position and technical casual workers from staffs for three serves

Forecasts for Staffs (Full-year)

No revisions from the figures announced on May 17

- Out of the total 20 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 Full-year	FY3/18 Full-year	YoY	
	Results	**Forecasts**	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%
Core staffs （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%

- ”AS in sales position”: Senior sales workers in charge of new sales
- ”AL in sales position”: Female sales workers in charge of new sales support
- ”Core staffs”: Excluding AS and AL in sales position and technical casual workers from staffs for three serves

Balance Sheet（End of 2Q）

(Unit: Million yen)	End of FY3/17	End of FY3/18 2Q	Increase/ Decrease	Main factors for changes	
Current assets	8,646	9,947	1,301	Cash and deposits Accounts receivable	625 661
Non-current assets	5,502	5,463	-39		
Total Assets	14,149	15,411	1,262		
Current liabilities	2,099	2,647	547	Income taxes payable Deposits received Accrued consumption taxes	260 106 104
Non-current liabilities	1,201	1,147	-53		
Total Liabilities	3,301	3,795	493		
Total Net Assets	10,847	11,615	768	Retained earnings	768
Equity-to-asset Ratio	76.7%	75.4%	-1.3pt		
BPS (yen)	878.95	941.19	62.24		

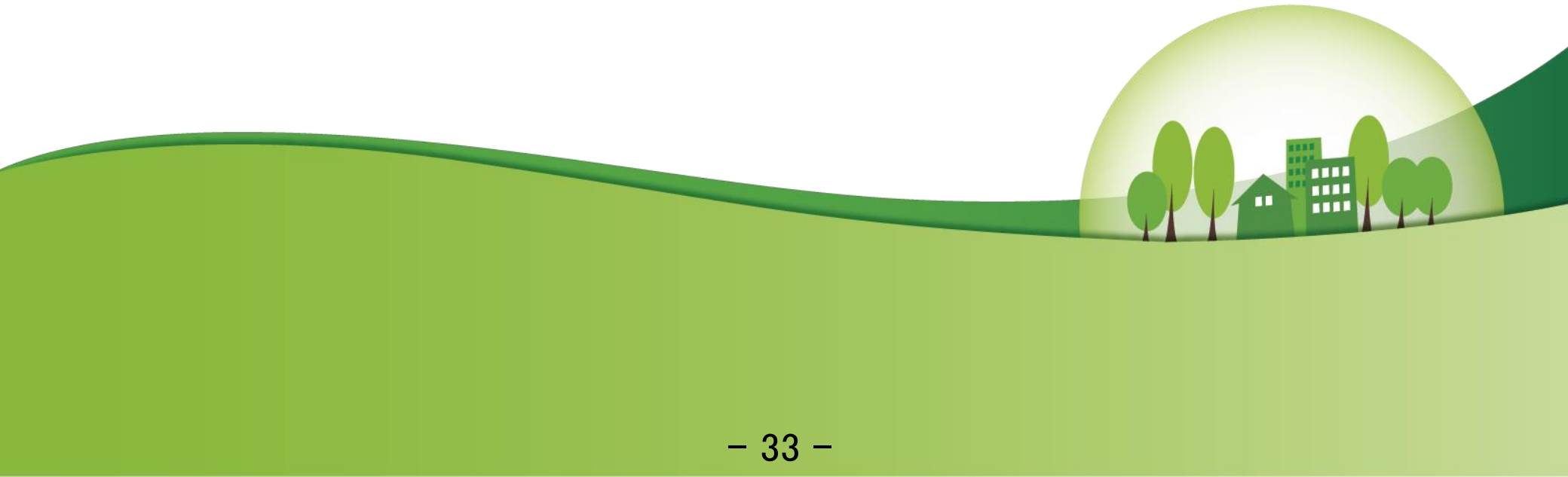
Cash Flow Statement (1H)

(Unit: Million yen)	FY3/18 1H	Factors for changes	
Cash flows from operating activities	1,062	Income before income taxes Increase in notes and accounts receivable Income taxes paid	1,579 -659 -271
Cash flows from investing activities	-23		
Free cash flows	1,038		
Cash flows from financing activities	-412	Cash dividends paid Repayment of long-term loans payable	-283 -220
Net increase/decrease in cash and cash equivalents	625		

Asante Inc.

Ⅲ. Mid-term Business Plan

No revisions from the figures announced on May 17



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 marketing areas
- Improvement in operating income ratio

Mid-term Profit and Loss Plan

- 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 Ratio	9.1%	10.1%	10.7%	**11.1%**	+ 1.9pt	—

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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

Notes on Future Forecasts

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

References to future forecasts in this document are based on goals and predictions, and are not certain or guaranteed.

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Also, for references to the industry, etc., data thought to be trustworthy is used, but the Company provides no guarantees as to its accuracy or completeness.

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