Financial Results for FY Ended March 2018

May 14, 2018



Detection Dog Team "Kunkuns"

Asante Incorporated 【TSE First Section Securities Code 6073】

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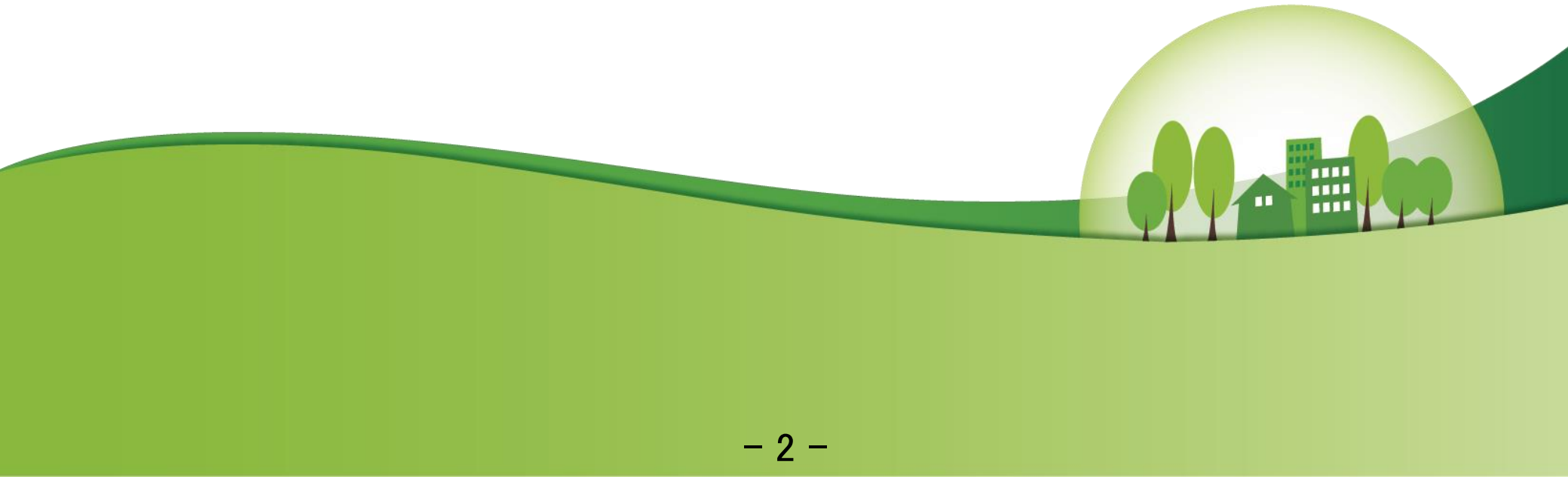
Ⅰ. Overview of Financial Results for FY3/18



Business Environment

External environment

- The economy is on a moderate recovery trend
- Consumer spending did not substantially improve

Market environment

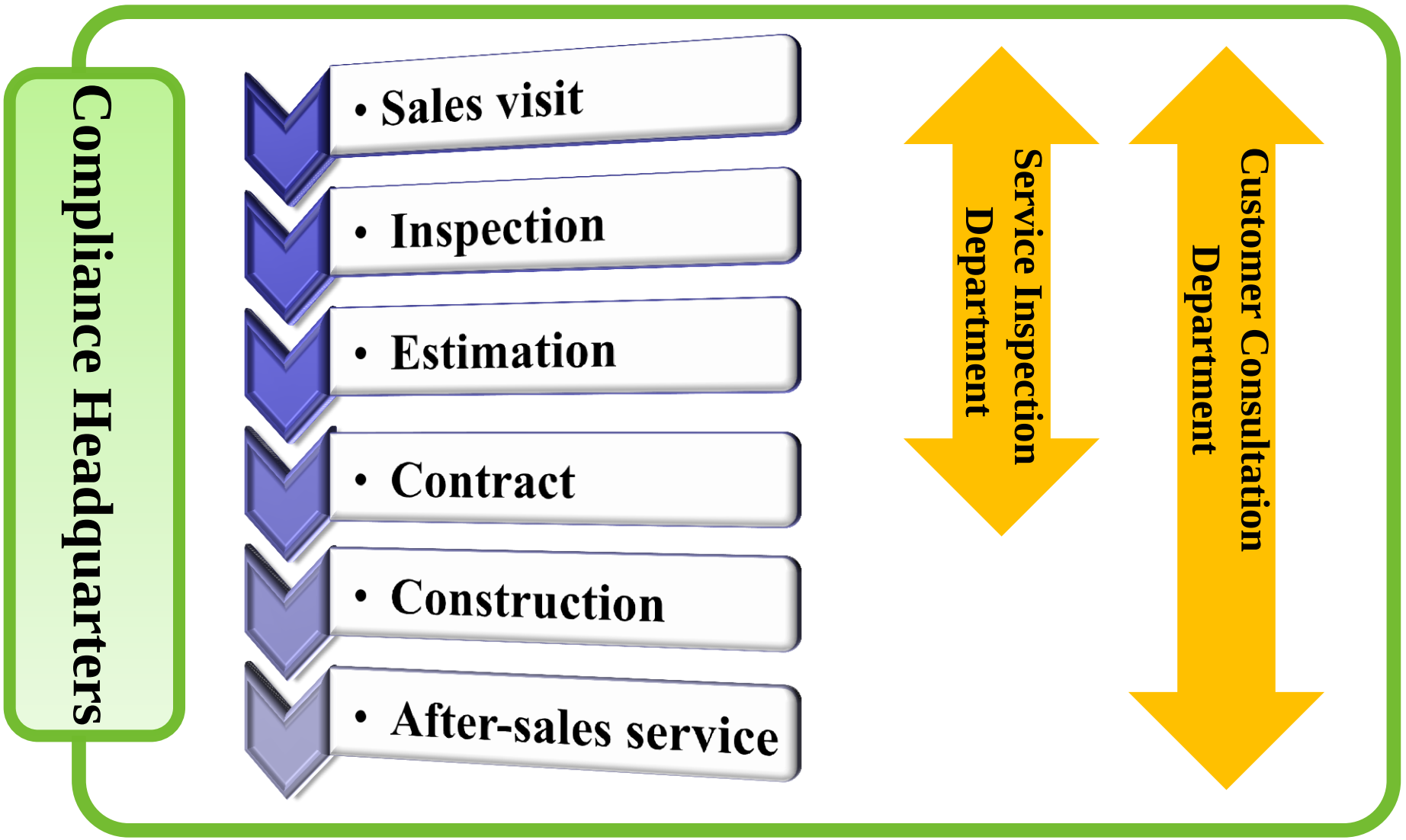
- Japan made further advances in housing policies, and awareness of the maintenance of houses and the industry's social recognition increased
- Severe environment in terms of new business development due to consumers' saving consciousness

FY3/18 Specific Initiatives

- **Strengthening of compliance structure**
- **Restructuring of sales process**
- **Strengthening and upskilling of education system**
- **Strengthening of sales promotion and sales planning**
- **Improvement of measures to raise awareness**

Compliance Structure

A thorough compliance structure that creates trust and competitiveness



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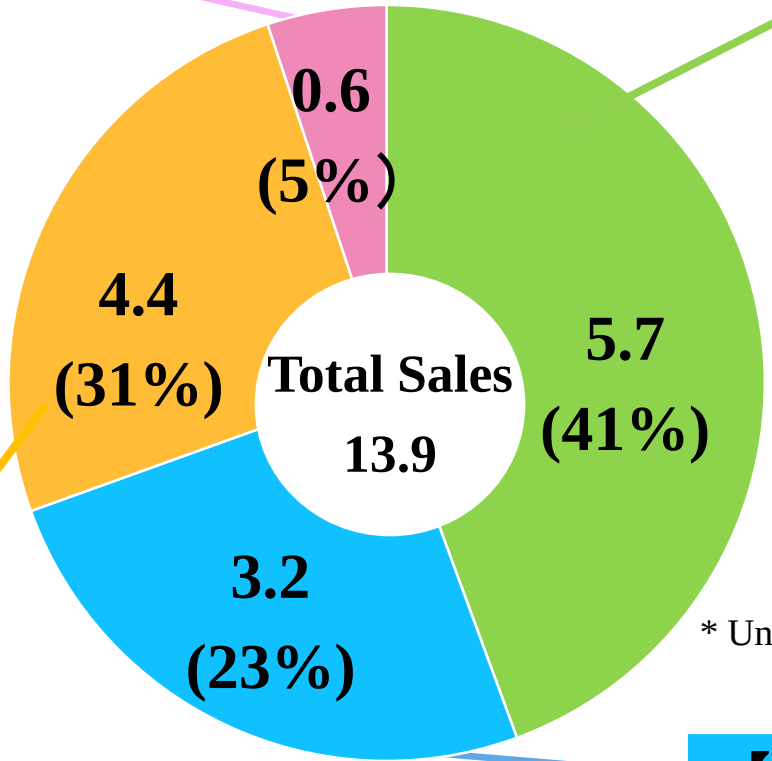
FY3/18 Results for Profit and Loss

- Net sales increased by 137 million yen
- Operating income increased by 448 million yen due to a decrease of 280 million yen in the labor costs and personnel expenses (of which retirement benefits expenses decreased by 244 million yen)

(Unit: Million yen)	FY3/17	FY3/18	YoY	
	Results	**Results**	Change	Change in Ratio
Net sales	13,852	**13,990**	137	1.0%
Operating Income	1,682	**2,131**	448	26.7%
Ordinary Income	1,686	**2,155**	468	27.8%
Net income	1,266	**1,411**	145	11.5%
EPS (Yen)	102.59	**114.36**	11.77	11.5%

FY3/18 Sales Composition by Service

【 Other 】
Pest Control
Housing Renovation
Others



【Anti-termite Measures】



* Unit: Billion yen

【 Anti-earthquake measures 】

Repair Housing Foundations



Housing Reinforcement



【 Anti-humidity Measures 】

Underfloor Ventilation Fans



Humidity Adjusting Materials



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FY3/19 Business Plan

- **Securing of excellent human resources and strengthening of education system**
- **Improvement in operating efficiency**
- **Deepening of corporate governance**
- **Strengthening of compliance and increase of customer satisfaction**

FY3/19 Advertising and Sales Promotion -1

- Signed a sponsorship deal with Kawasaki Frontale (2018Meiji Yasuda Life Insurance J1 League)
- We plan to carry out measures against pests and fecal pollution at the Kawasaki Todoroki Athletics Stadium, the Kawasaki Frontale's home ground

© KAWASAKI FRONTALE

◆April 21, 2018 (Saturday)

Meiji Yasuda Life Insurance J1 League 9th sec (v.s. Kashima Antlers)







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FY3/19 Advertising and Sales Promotion -2

- Run TV commercial, insert leaflets in newspapers and place advertisements on website in line with the termite swarming season which has a strong response and high close rate

TV commercial





Leaflets & web advertisements



FY3/19 Advertising and Sales Promotion -3

First-Time Initiative in Japan
･･･They “smell” to find termites or bedbugs



– Introduced from the US – Noah (introduced in 2006, retired in 2016), Kira･Samson (introduced in 2010)

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FY3/19 Advertising and Sales Promotion -4

Public Seminar

Initiatives since 2012

- Aim to raise the public's awareness of our industry by using mass media
- Initiatives as the industry leader

November 7, 2017

5th Termite public seminar



Lecturer:
Prof. Tsuyoshi Yoshimura
Kyoto University Research Institute for Sustainable Humanosphere
(Authority on Termite Research)



Demonstration of termite detection dog

Termite Warning

Initiatives since 2007

- Announce termite forecasts based on its own database
- Termite swarm information received at the Customer Consultation Department is used to issue termite alerts and warnings
- For this fiscal year, it disclosed on April 23, 2018



Termite Warning

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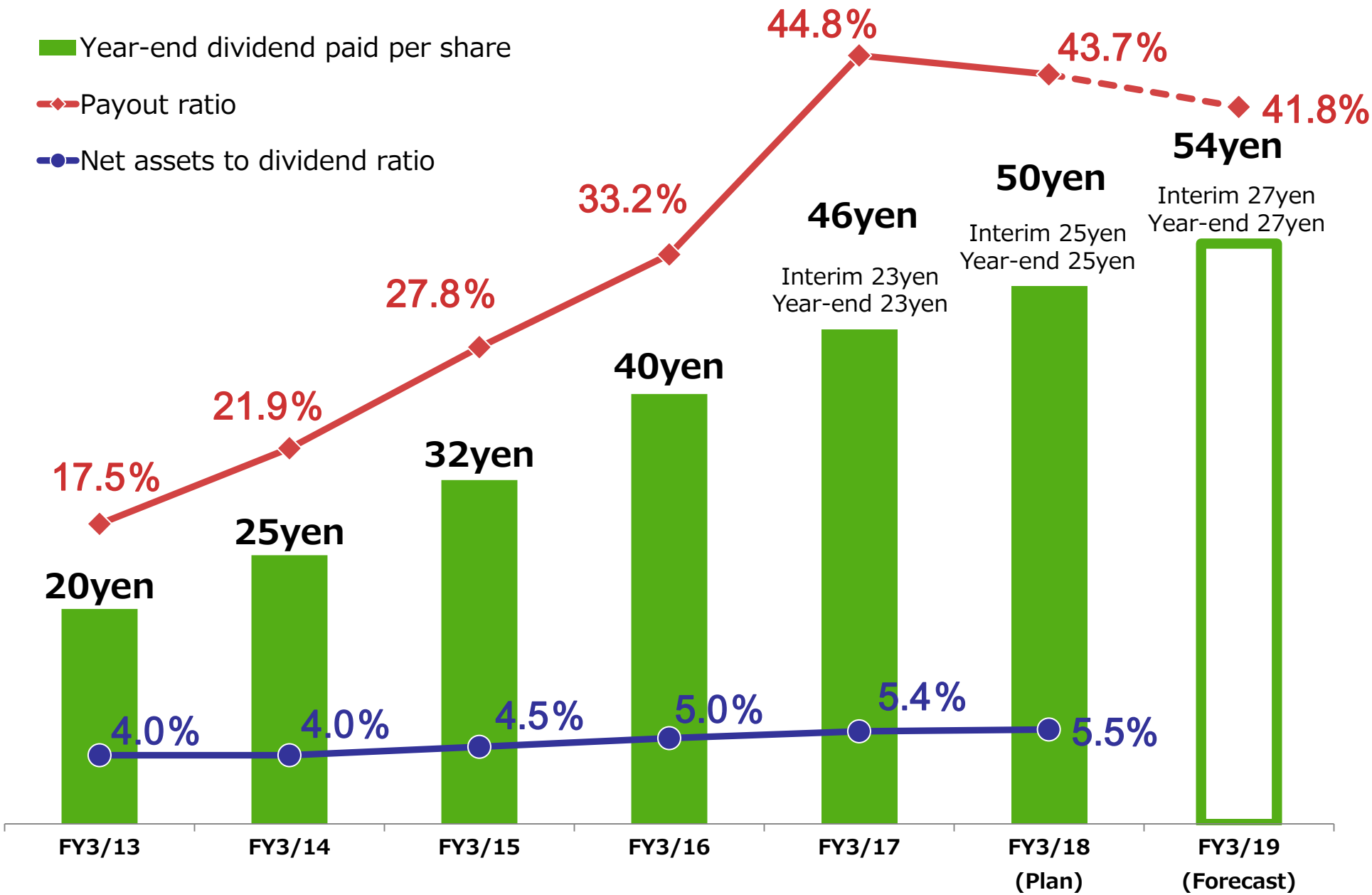
FY3/19 Forecasts of Profit and Loss

- Net sales to increase by 591 million yen (+4.2%)
- Operating income to increase by 258 million yen due to 333 million yen increase in operating expenses

(Unit: Million yen)	FY3/18	FY3/19	YoY	
	Results	**Forecasts**	Change	Change in Ratio
Net sales	13,990	**14,581**	591	4.2%
Operating Income	2,131	**2,389**	258	12.1%
Ordinary Income	2,155	**2,405**	249	11.6%
Net income	1,411	**1,594**	183	13.0%
EPS (Yen)	114.36	**129.20**	14.84	13.0%

Planned Dividend and Forecasts



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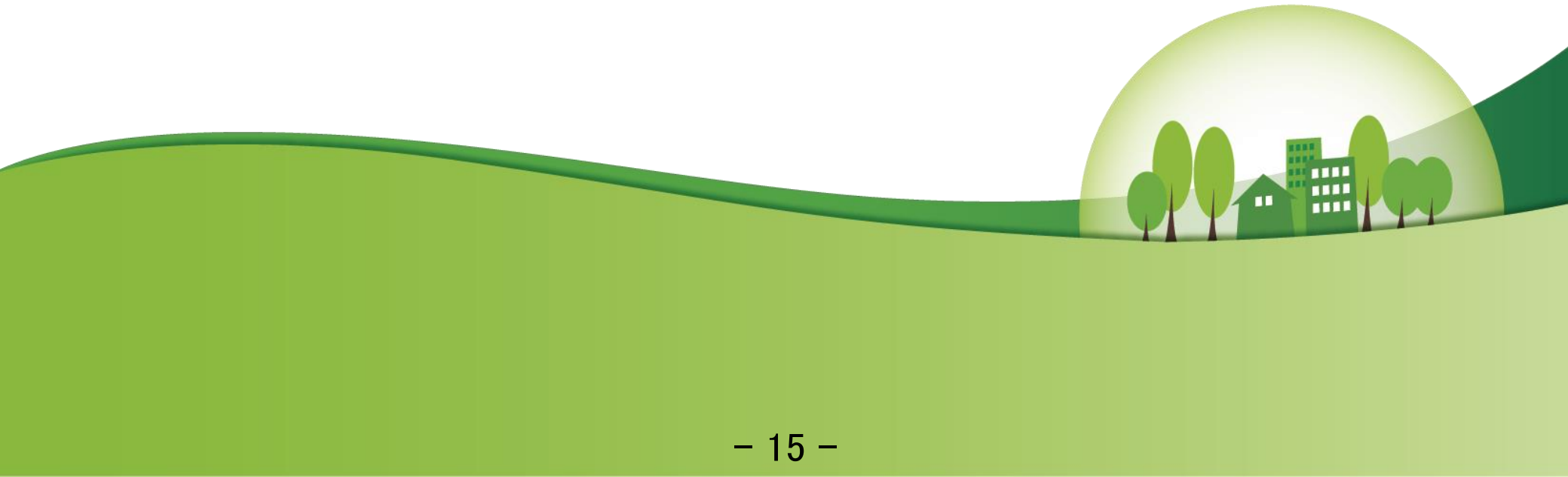
Ⅱ. Overview of FY3/19 Mid-term Business Plan



Outlook for Business Environment

- **Growing awareness of extending the lifetime and of maintaining existing houses**
  - Promote more specific national policies toward expansion of distribution of existing houses and renovation market
  - The awareness of the need for termite control is gradually increasing
- **Potential demand is still very heavy**
- **Consumer spending remains firm**
  - While an upturn in economy is expected toward the Olympic year, there is a risk for slowdown in consumer spending due to a sluggish real wage growth
  - Less affected by consumption tax hike scheduled for October 2019
- **Labor supply and demand remain tight**
  - Require continued efforts to secure excellent human resources

Mid-term Business Plan [Policy]

Mid-term business policy

1. Increase in excellent human resources and strengthening of education system

- Balance increase in personnel and fostering of industry-ready personnel early

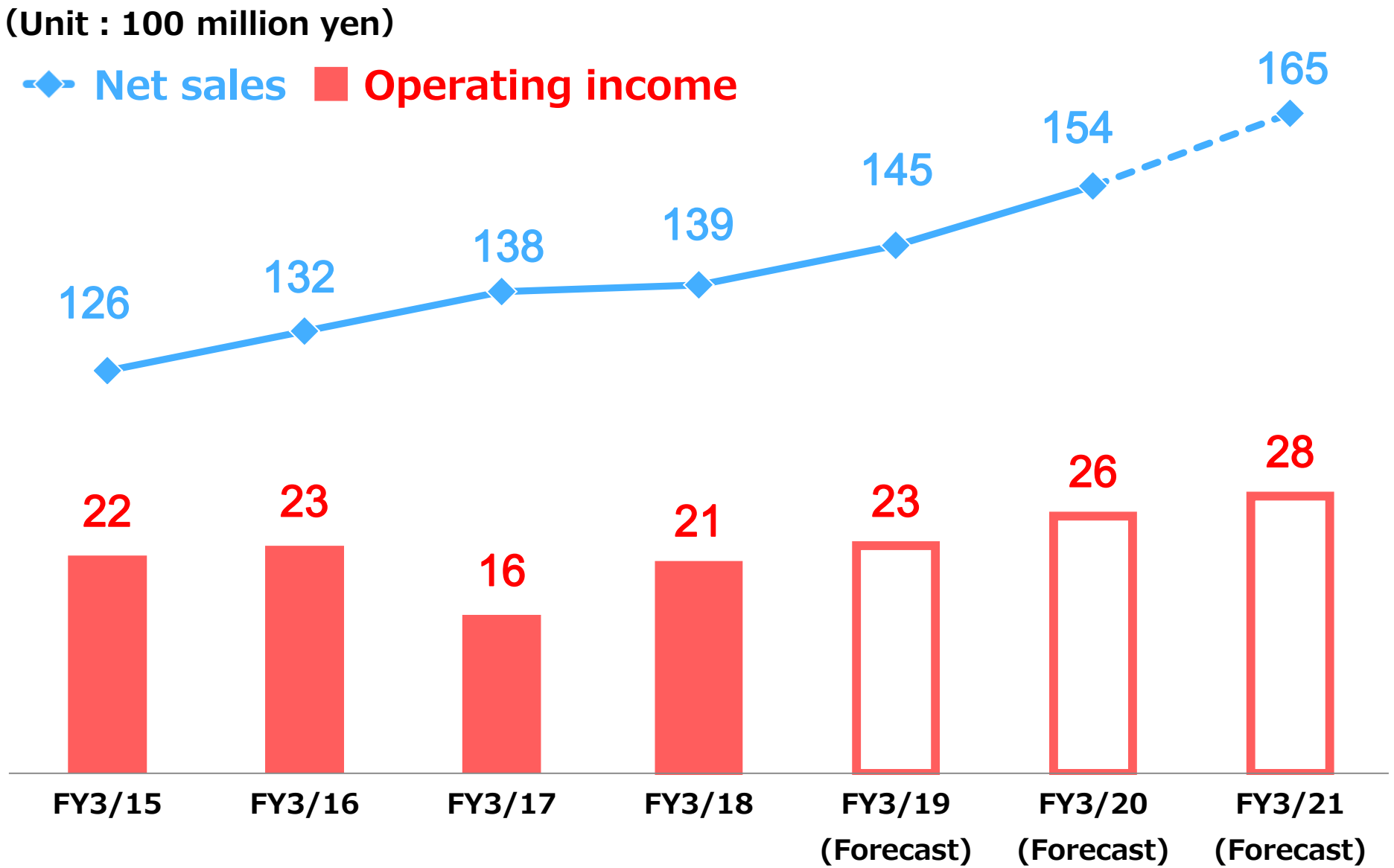
2. Improvement in operating efficiency

- Increase in sales per staff and rising profit margin

3. Expansion of marketing area

- Increase in houses subject to our services

Mid-term Business Plan [Target]



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Growth Strategy

Sustainable growth with termite control-related services at the core

【Basis for growth】

- Huge potential demand
- Superiority of industry leader
- Spur to national policy
- High profit margins
- Underfloor business know-how

【Issues to be approached】

- **Expand areas** across the country
- Securing and fostering of **excellent human resources**
- Maintenance and improvement of **competitive advantage**
- Enhancement of **productivity**

【Target vision】

Realize a sustainable and stable growth

To a house maintenance industry-leading company

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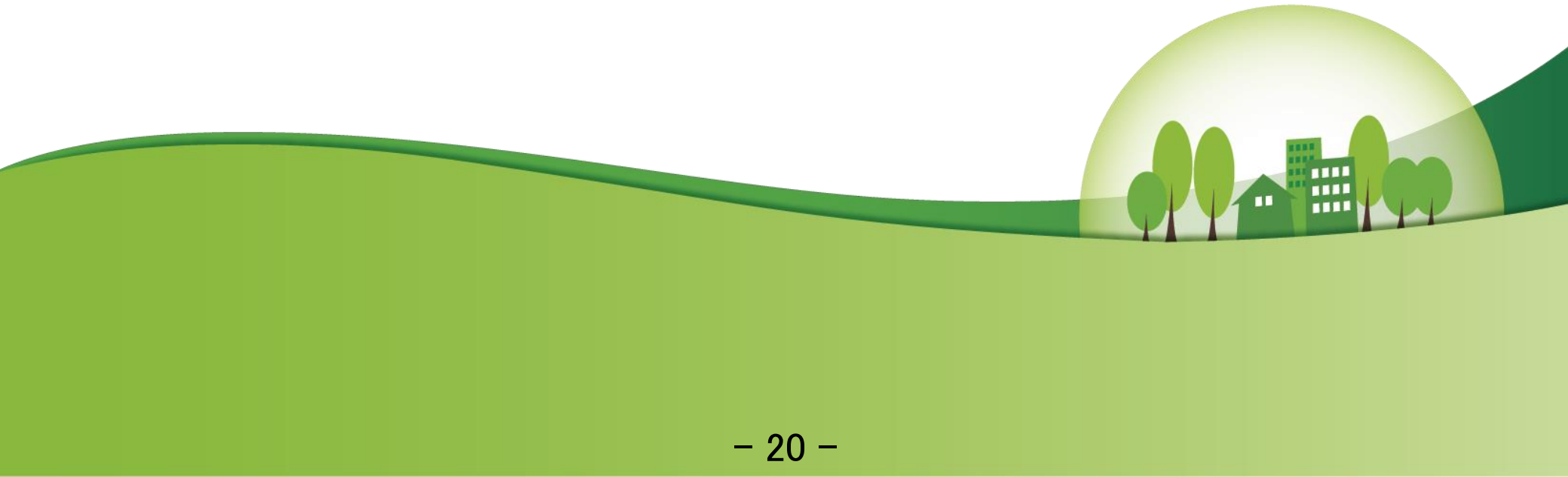
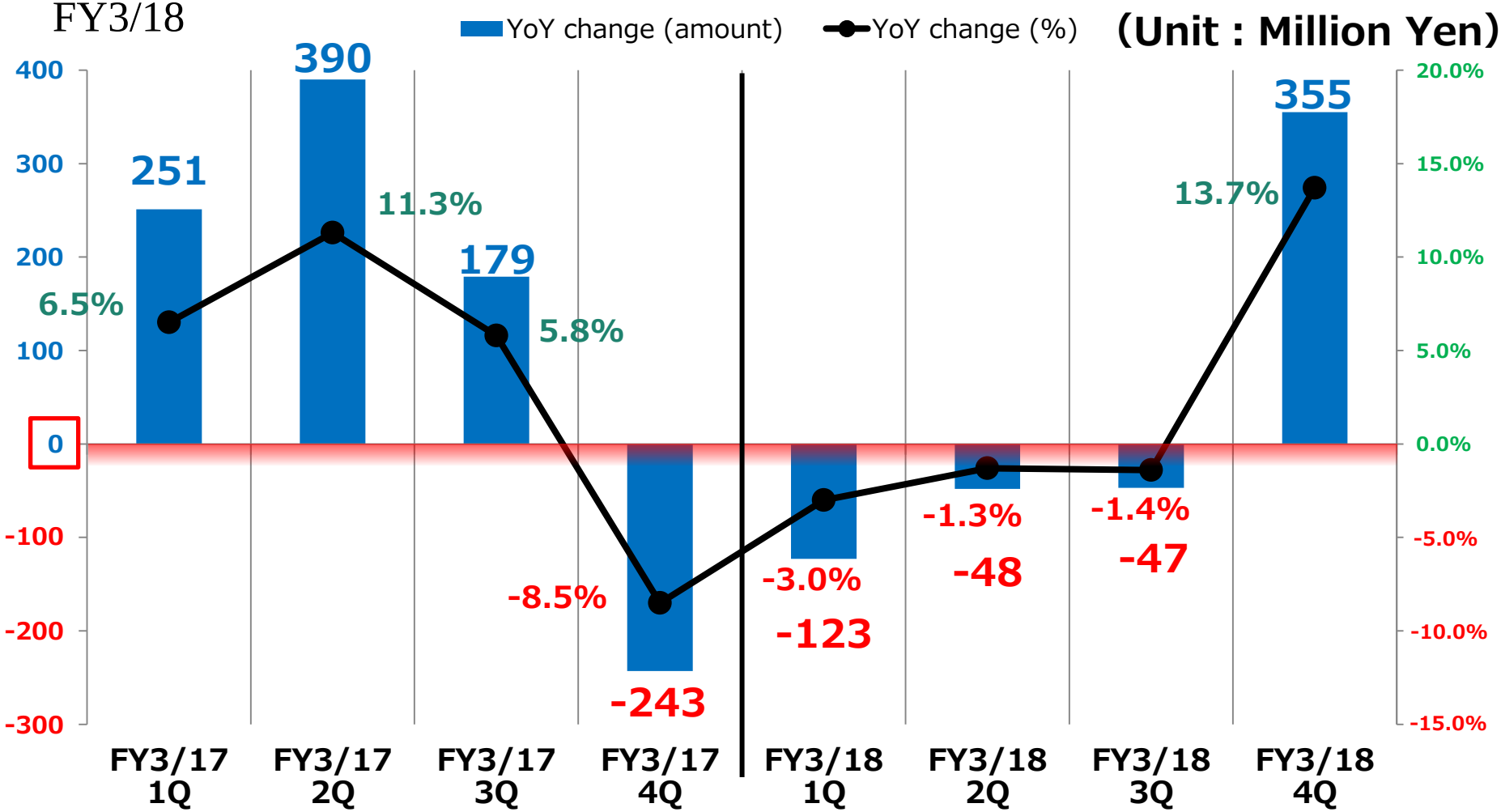
Ⅲ. Details of Financial Results for FY3/18



Quarterly Net Sales (YoY change)

- Started the restructuring of sales process in 3Q of FY3/17 and full-fledged operation in 4Q
- Net sales fell sharply at the same time, but YoY change turned positive in 4Q of FY3/18



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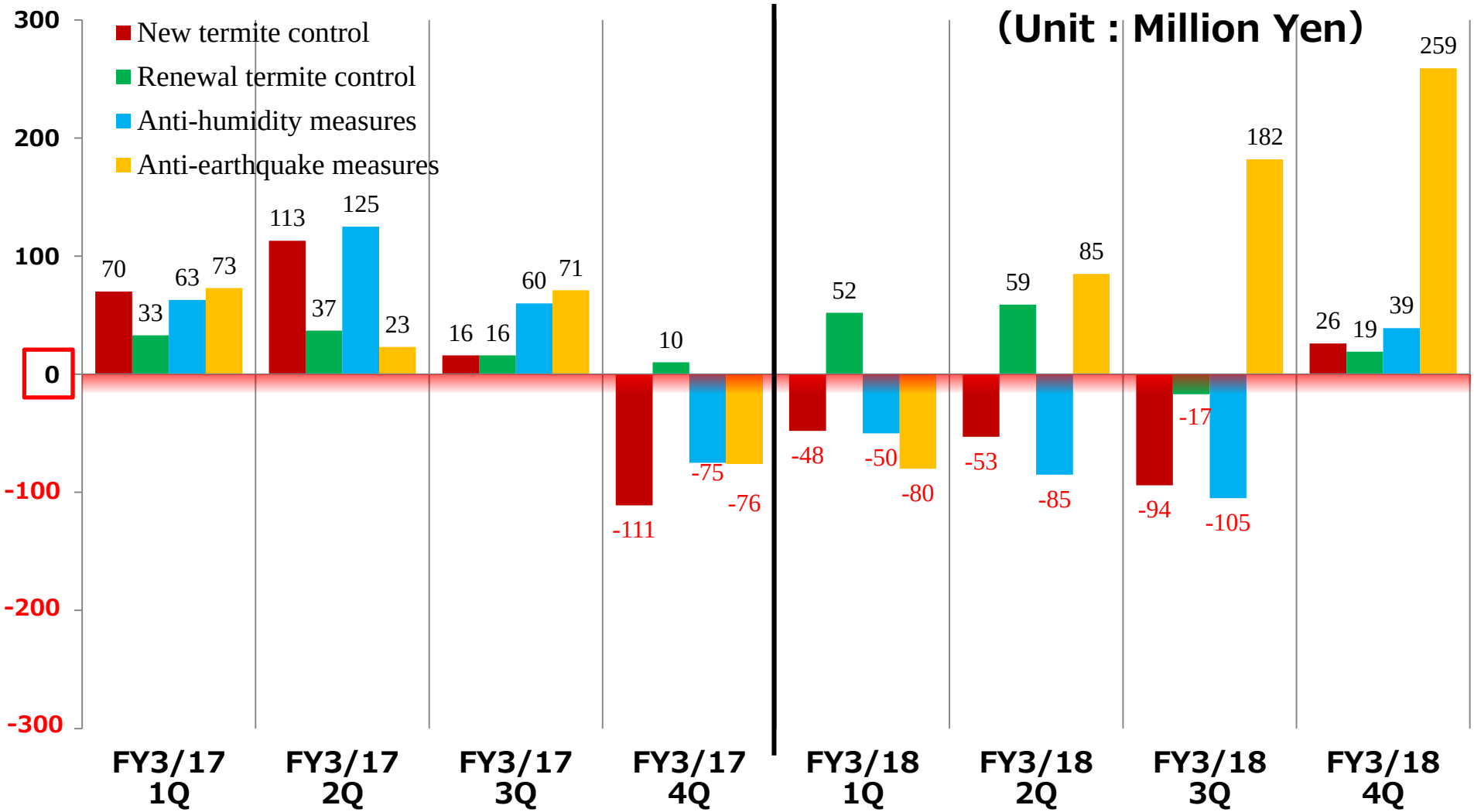
Quarterly Sales of Three Major Services (YoY Change)

- "New termite control and Anti-humidity measures" are for new customers
- "Renewal termite control and Anti-earthquake measures" are for existing customers



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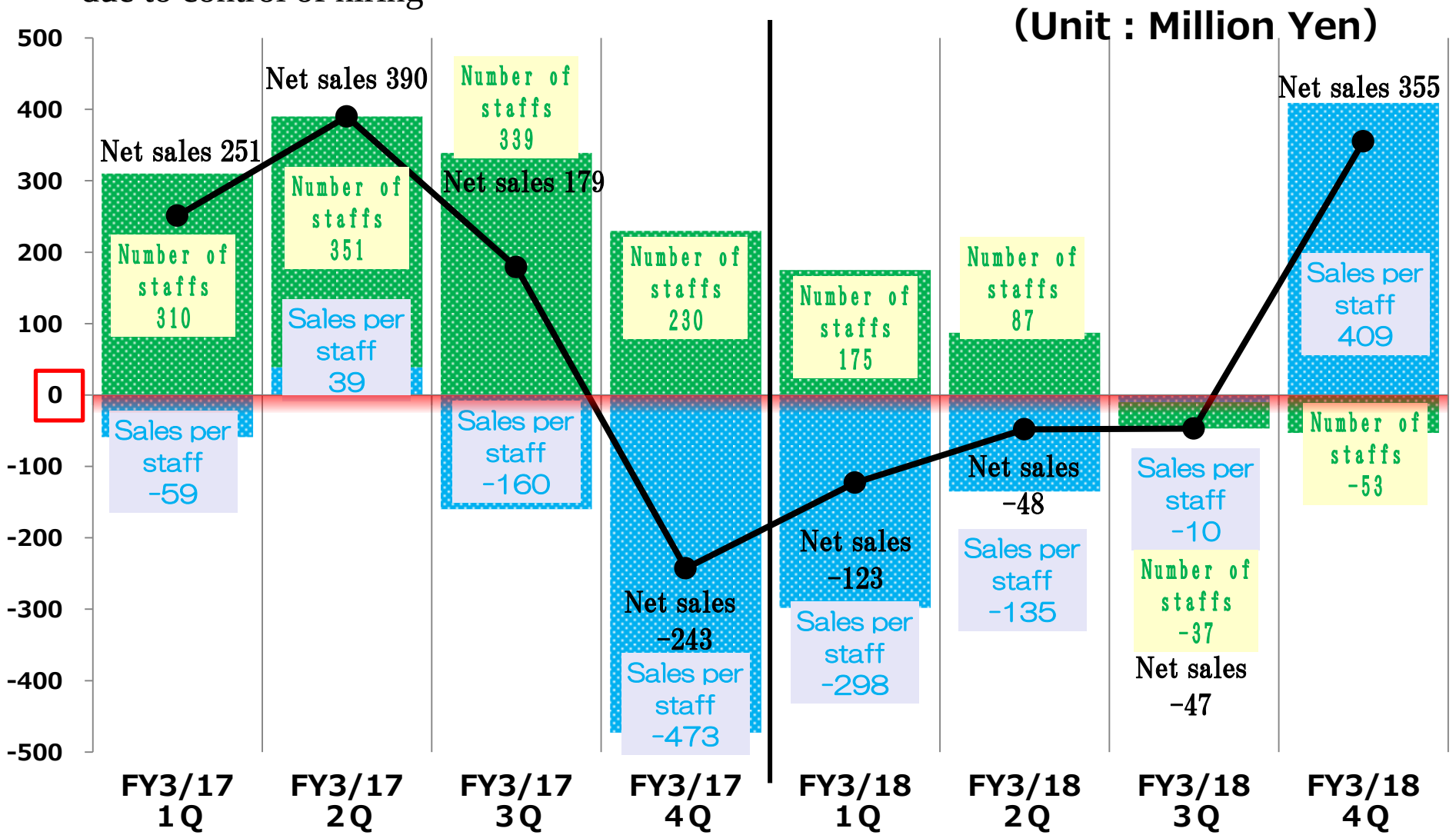
Factors for Changes in Net Sales

- Sales per staff decreased sharply in 4Q of FY3/17, and recovered in 4Q of FY3/18
- The number of staffs increased by 9.9% in FY3/17, and slightly increased by 0.9% in FY3/18 due to control of hiring



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FY3/18 Net Sales by Service (1H/2H)

- First half sales decreased by 2.1%
  (New termite control:-5.0%, Anti-humidity measures: -6.8%)
- Second half sales increased by 5.3% (Anti-termite measures:-2.9%,
  Anti-humidity measures: -4.9%, Anti-earthquake measures: +22.8%)

(Unit: Million yen)	First half				Second half			
	FY3/17	**FY3/18**	Change	Change in Ratio	FY3/17	**FY3/18**	Change	Change in Ratio
Net sales	7,991	**7,820**	-171	-2.1%	5,861	**6,169**	308	5.3%
Anti-termite measures	3,549	**3,560**	10	0.3%	2,257	**2,191**	-65	-2.9%
New	2,039	**1,938**	-101	-5.0%	1,207	**1,139**	-68	-5.6%
Renewal	1,509	**1,621**	111	7.4%	1,050	**1,052**	2	0.2%
Anti-humidity measures	2,003	**1,868**	-135	-6.8%	1,350	**1,284**	-65	-4.9%
Anti-earthquake measures	2,027	**2,032**	4	0.2%	1,938	**2,380**	442	22.8%
Others	410	**359**	-50	-12.4%	314	**312**	-1	-0.5%

FY3/18 Net Sales by Service (Full-year)

- Net sales: +1.0%
- Anti-termite measures: -1.0%
  (New termite control: -5.2%, Renewal termite control : +4.5%)
- Anti-humidity measures: -6.0%
- Anti-earthquake measures: +11.3%

(Unit: Million yen)	FY3/17		FY3/18		YoY	
	Results	Composition ratio	**Results**	**Composition ratio**	Change	Change in ratio
Net sales	13,852	–	**13,990**	–	137	1.0%
Anti-termite measures	5,807	41.9%	**5,751**	**41.1%**	-55	-1.0%
New	3,247	23.4%	**3,077**	**22.0%**	-169	-5.2%
Renewal	2,560	18.5%	**2,674**	**19.1%**	113	4.5%
Anti-humidity measures	3,353	24.2%	**3,152**	**22.5%**	-201	-6.0%
Anti-earthquake measures	3,966	28.6%	**4,413**	**31.5%**	446	11.3%
Others	724	5.2%	**672**	**4.8%**	-52	-7.2%

FY3/18 Number of Staffs, Sales per Staff (1H/2H)

- Establishment of new sales processes in second half
- Net sales increased by 5.3% due to 7.0% increase in sales per staff in second half

	FY3/18					
	First half	YoY		Second half	YoY	
	Results	Change	Change in ratio	Results	Change	Change in ratio
Net Sales (Million yen)	**7,820**	-171	-2.1%	**6,169**	308	5.3%
Within the three services	**7,460**	-120	-1.6%	**5,857**	310	5.6%
Average number of staffs during the period	**1,067**	36	3.5%	**1,010**	-16	-1.6%
Within the three services	**862**	22	2.7%	**806**	-22	-2.7%
Sales per staff (Thousand yen/month)	**1,221**	-69	-5.4%	**1,017**	66	7.0%
Within the three services	**1,442**	-62	-4.1%	**1,211**	95	8.5%
Number of staffs at end of period	**1,048**	14	1.4%	**1,040**	-27	-2.5%
Within the three services	**843**	5	0.6%	**836**	-29	-3.4%

- ”Number of staffs”: total number of staffs actually working including part-time employees and contract employees
- ”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 Number of Staffs, Sales per Staff

- Average number of staffs increased by 0.9%
- Sales per staff increased by 0.1%

	FY3/17	FY3/18	YoY	
	Results	**Results**	Change	Change in ratio
Net Sales (Million yen)	13,852	**13,990**	137	1.0%
Within the three services	13,127	**13,317**	189	1.4%
Average number of staffs during the period	1,029	**1,039**	10	0.9%
Within the three services	834	**834**	0	0.0%
Sales per staff (Thousand yen/month)	1,121	**1,122**	0	0.1%
Within the three services	1,312	**1,331**	18	1.4%
Number of staffs at end of period	1,067	**1,040**	-27	-2.5%
Within the three services	865	**836**	-29	-3.4%

- ”Number of staffs”: total number of staffs actually working including part-time employees and contract employees
- ”Sales of three services”: total sales of anti-termite measures, anti-humidity measures and anti-earthquake measures
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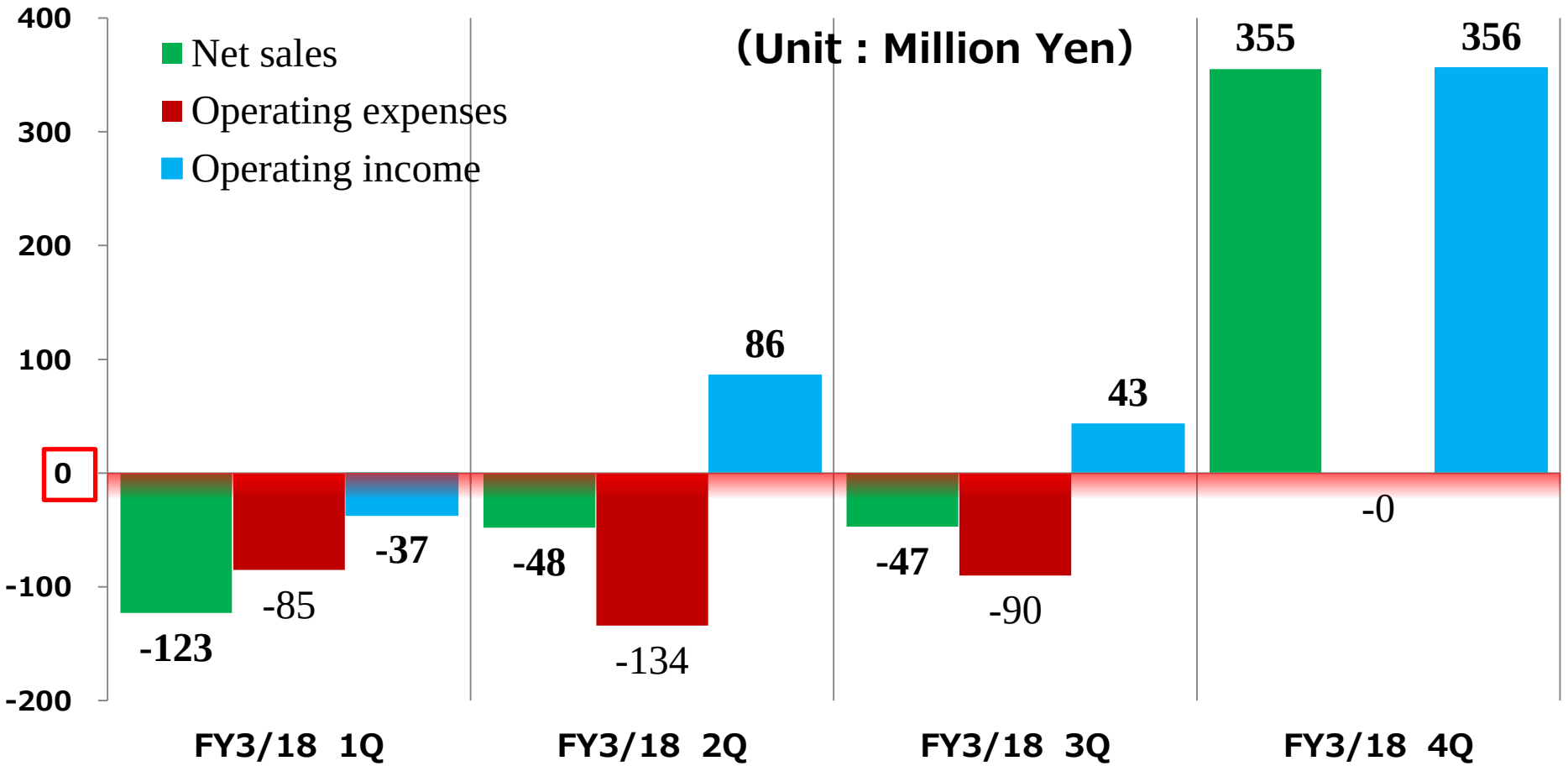
Changes in Net Sales, Operating Expenses and Operating Income (Quarterly)

- In 1Q, operating income decreased because there were fewer decreases in expense than a decrease in net sales
- In 2Q and 3Q, operating income increased because there were more decreases in expense than a decrease in net sales
- In 4Q, effect of cost reduction helped to increase operating profit as sales increased



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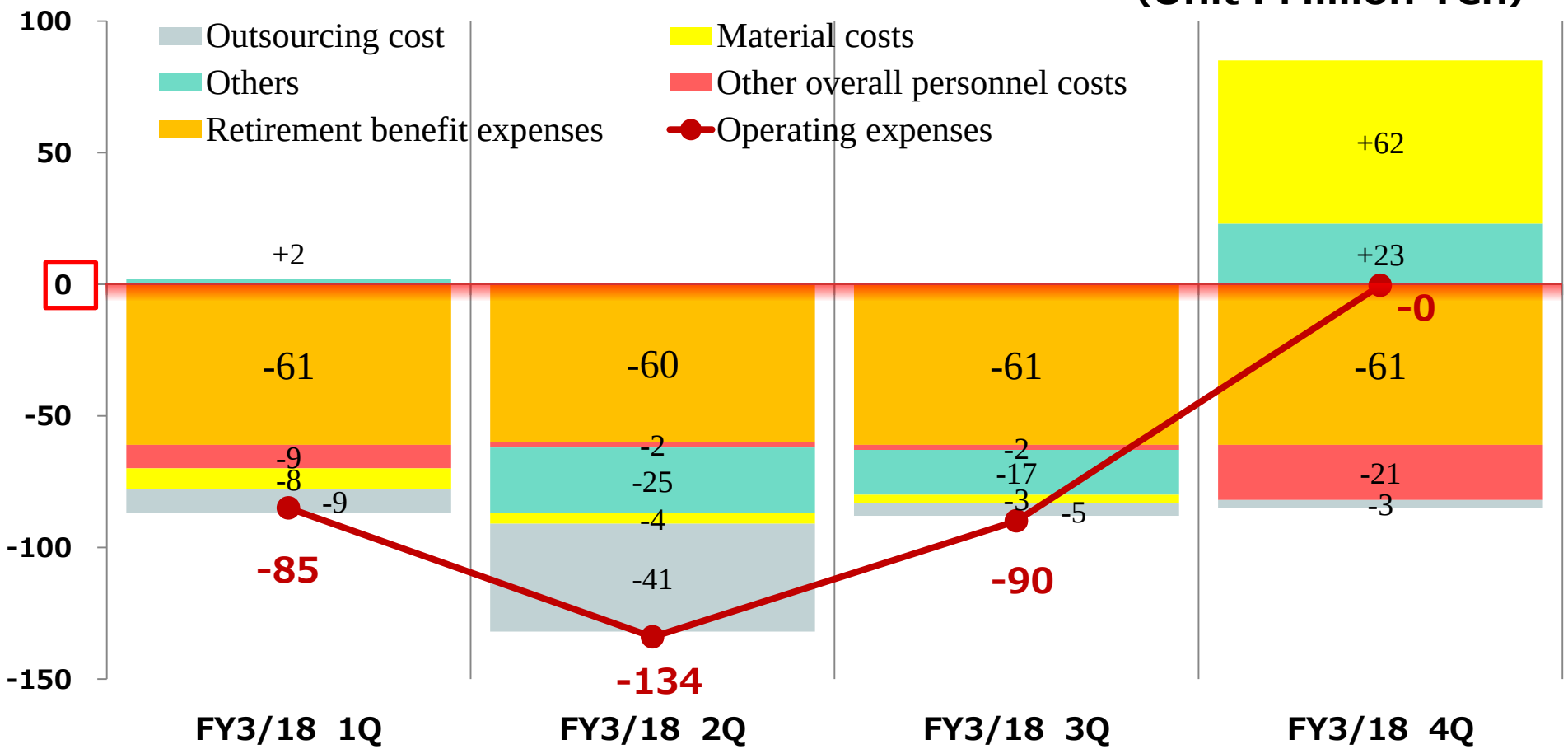
Changes in Operating Expenses (Quarterly)

- Large impact by a decrease in retirement benefit expenses
- Decrease in other personnel expenses due to control of personnel increase
- The increase in material costs in 4Q due to the sale growth was offset by a decrease in operating expenses

(Unit : Million Yen)



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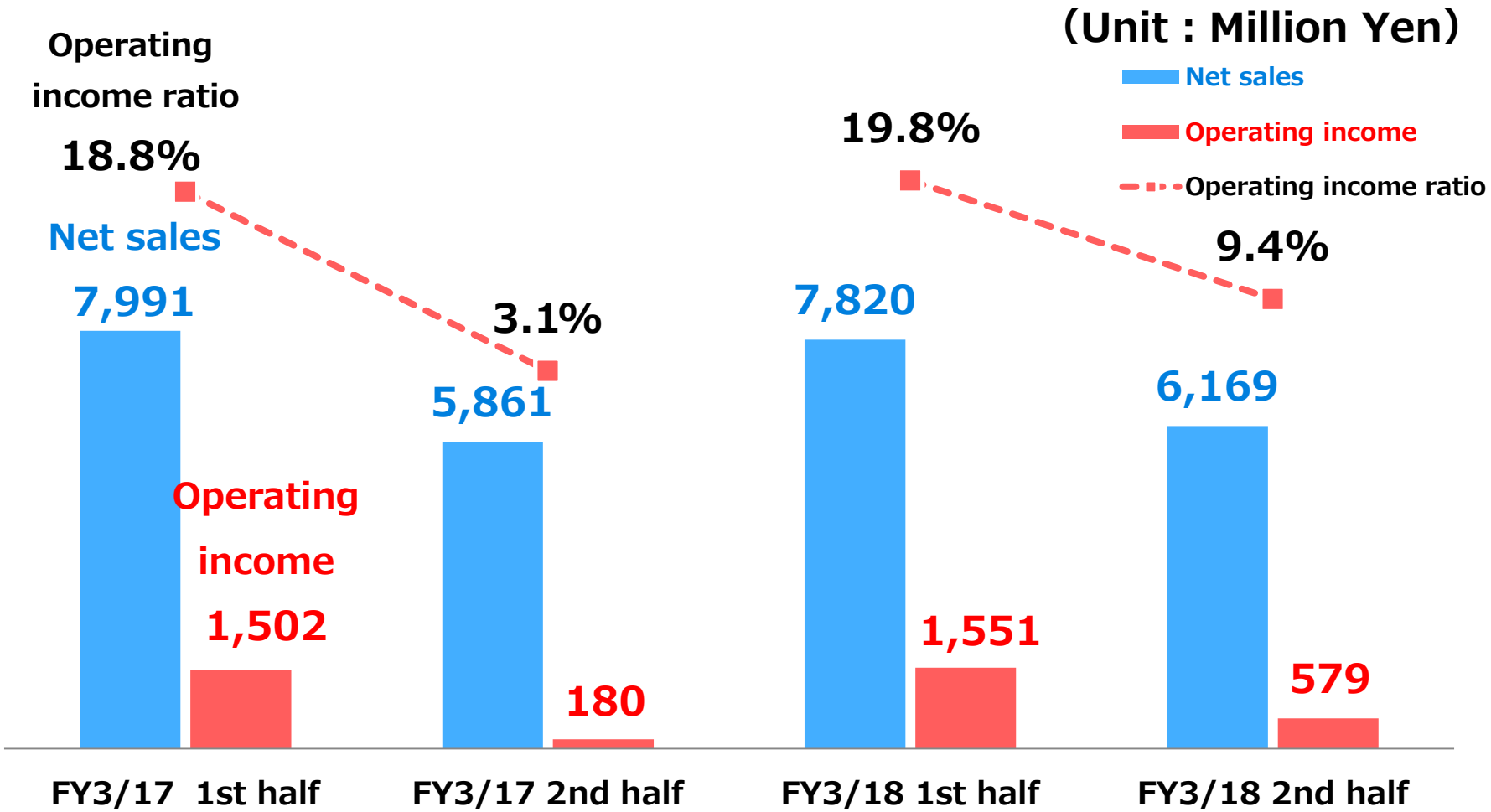
FY3/18 Profit and Loss by 1H and 2H

- Operating efficiency improved in 1H due to a peak season
- Operating efficiency became low in 2H due to a slowdown in demand



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FY3/18 Results for Profit and Loss

- Gross profit increased and became stable at 71.2% due to higher net sales and lower cost of sales
- Operating income increased by 448 million yen due to lower SG&A expenses, and operating income ratio recovered to 15% level

(Unit: Million yen)	FY3/17		FY3/18		YoY	
	Results	Composition ratio	**Results**	**Composition ratio**	Change	Change in ratio
Net sales	13,852	–	**13,990**	**–**	137	1.0%
Cost of sales	4,068	29.4%	**4,024**	**28.8%**	-43	-1.1%
Gross profit	9,784	70.6%	**9,965**	**71.2%**	181	1.9%
SG&A	8,101	58.5%	**7,834**	**56.0%**	-267	-3.3%
Operating income	1,682	12.1%	**2,131**	**15.2%**	448	26.7%
Ordinary income	1,686	12.2%	**2,155**	**15.4%**	468	27.8%
Net income	1,266	9.1%	**1,411**	**10.1%**	145	11.5%
Overall personnel costs	6,854	49.5%	**6,574**	**47.0%**	-280	-4.1%

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

- Operating expenses decreased by 310 million yen
- Overall personnel expenses decreased by 280 million yen due mainly to 244 million yen decrease in retirement benefits expenses

(Unit: Million yen)	Amount	Change in ratio	Main factors for changes
FY3/17 Operating income	**1,682**	–	
Net sales	+137	+1.0%	
Material costs	+46	+2.7%	
Outsourcing costs	-60	-57.7%	Decrease in other (renovations) sales
Labor costs	-55	-3.7%	Decrease in retirement benefits expenses: -44 million yen
Other cost of sales	+25	+3.4%	
Personnel expenses	-225	-4.2%	Decrease in retirement benefits expenses: -200 million yen
Recruiting expenses	-41	-17.7%	
Advertising expenses	+5	+1.5%	
Repair expenses	-49	-32.8%	
Other SG&A expenses	+44	+2.2%	
FY3/18 Operating income	**2,131**	**+26.7%**	

FY3/18 Balance Sheet

(Unit: Million yen)	End of FY3/17	End of FY3/18	Change	Main factors for changes	
Current assets	8,646	**9,808**	1,161	Cash and deposits Accounts receivable	821 334
Non-current assets	5,502	**5,406**	-96	Property, plant and equipment	-82
Total Assets	14,149	**15,214**	1,065		
Current liabilities	2,099	**2,443**	343	Current portion of long-term loans payable Accounts payable - other Income taxes payable	-68 151 142
Non-current liabilities	1,201	**1,104**	-96	Long-term loans payable	-109
Total Liabilities	3,301	**3,547**	246		
Total Net Assets	10,847	**11,666**	818	Retained earnings	818
Equity-to-asset Ratio	76.7%	**76.7%**	0.0pt		
BPS (yen)	878.95	**945.29**	66.35		

FY3/18 Cash Flow Statement

(Unit: Million yen)	FY3/17	FY3/18	Factors for changes	
Cash flows from operating activities	1,411	**1,655**	Income before income taxes Income taxes paid	2,155 -613
Cash flows from investing activities	-55	**-47**	Purchase of non-current assets	-41
Free cash flows	1,355	**1,608**		
Cash flows from financing activities	-883	**-786**	Net decrease in borrowings Cash dividends paid	-177 -592
Net increase/decrease in cash and cash equivalents	472	**821**		

FY3/19 Forecasts of Number of Staffs, Sales per Staff

- 4.2% increase in net sales due to 0.9% increase in the average number of staffs and 3.3% increase in sales per staff

	FY3/18	FY3/19	YoY	
	Results	**Forecasts**	Change	Change in ratio
Net Sales (Million yen)	13,990	**14,581**	591	4.2%
Within the three services	13,317	**13,940**	622	4.7%
Average number of staffs during the period	1,039	**1,048**	10	0.9%
Within the three services	834	**843**	9	1.1%
Sales per staff (Thousand yen/month)	1,122	**1,159**	36	3.3%
Within the three services	1,331	**1,378**	47	3.5%
Number of staffs at end of period	1,040	**1,088**	48	4.6%
Within the three services	836	**882**	46	5.5%

- ”Number of staffs”: total number of staffs actually working including part-time employees and contract employees
- ”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

FY3/19 Business Forecasts

- Net sales to increase by 4.2%
- Operating income to increase by 12.1%, and operating income ratio to improve to 16.4%

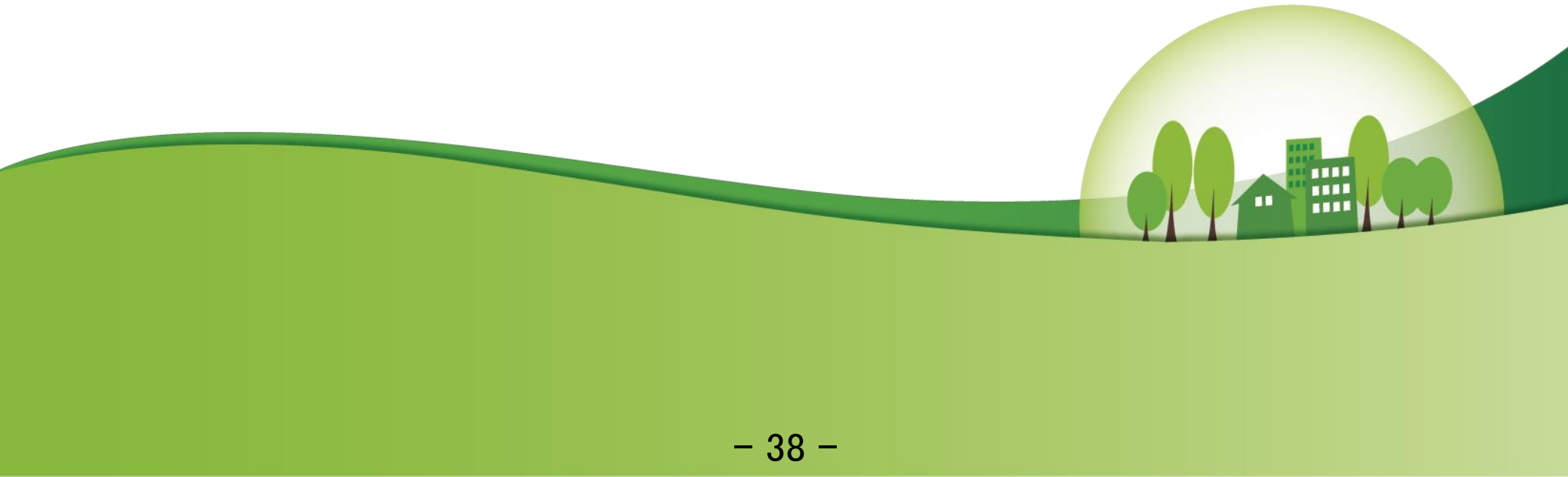
(Unit: Million yen)	FY3/18		FY3/19		YoY	
	Results	Composition ratio	**Forecasts**	**Composition ratio**	Change	Change in ratio
Net sales	13,990	–	**14,581**	–	591	4.2%
Cost of sales	4,024	28.8%	**4,121**	**28.3%**	97	2.4%
Gross profit	9,965	71.2%	**10,459**	**71.7%**	493	5.0%
SG&A	7,834	56.0%	**8,070**	**55.3%**	235	3.0%
Operating income	2,131	15.2%	**2,389**	**16.4%**	258	12.1%
Ordinary income	2,155	15.4%	**2,405**	**16.5%**	249	11.6%
Net income	1,411	10.1%	**1,594**	**10.9%**	183	13.0%
EPS (yen)	114.36	–	**129.20**	–	14.84	13.0%

FY3/19 Factors for Changes in Operating Income (YoY)

- Operating income increased by 258 million yen (+12.1%)

(Unit: Million yen)	Amount	Change in ratio	Main factors for changes
FY3/18 Operating income	**2,131**	**－**	
Net sales	＋591	＋4.2%	
Material costs	＋54	＋3.1%	Increase in net sales
Labor costs	-0	-0.1%	
Rent costs	＋13	＋8.1%	Increase in number of staffs
vehicle costs	＋12	＋8.6%	
Other cost of sales	＋18	＋3.5%	
Personnel expenses	＋119	＋2.3%	Increase in net sales and number of staffs
Recruiting expenses	＋11	＋6.1%	
Repair expenses	＋34	-33.7%	Repair expenses for company dormitory
Rent expenses	＋10	＋8.1%	Increase in number of staffs
Other SG&A expenses	＋58	＋2.6%	
FY3/19 Operating income forecast	**2,389**	**＋12.1%**	

Ⅳ. Details of FY3/19 Mid-term Business Plan



Plan of Number of Staffs, Sales per Staff

- Increase sales per staff due to enhancement in productivity and upskilling

	FY3/18	FY3/19	FY3/20	FY3/21		
	Results	Forecasts	Forecasts	**Forecasts**	Compared to FY3/18	
					Change	Change in ratio
Net Sales (Million yen)	13,990	14,581	15,430	**16,500**	2,510	17.9%
Average number of staffs during the period	1,039	1,048	1,086	**1,136**	97	9.3%
YoY change in ratio	0.9%	0.9%	3.6%	**4.6%**	—	—
Sales per staff (Thousand yen/month)	1,122	1,159	1,183	**1,209**	87	7.8%

- ”Number of staffs”: total number of staffs actually working including part-time employees and contract employees

Mid-term Profit and Loss Plan

- Operating income margin recovered to 17% level in FY3/18 and to record 17.5% in FY3/19

(Unit: Million yen)	FY3/18	FY3/19	FY3/20	FY3/21		
	Results	Forecasts	Forecasts	**Forecasts**	Compared to FY3/18	
					Change	Change in ratio
Net sales	13,990	14,581	15,430	**16,500**	2,510	17.9%
YoY Change in ratio	1.0%	4.2%	5.8%	**6.9%**	—	—
Operating income	2,131	2,389	2,615	**2,887**	756	35.4%
YoY Change in ratio	26.7%	12.1%	9.5%	**10.4%**	—	—
Operating income ratio	15.2%	16.4%	17.0%	**17.5%**	2.3pt	—
Net income	1,411	1,594	1,752	**1,941**	530	37.6%
YoY Change in ratio	11.5%	13.0%	9.9%	**10.8%**	—	—
Net income ratio	10.1%	10.9%	11.4%	**11.8%**	1.7pt	—

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.

When using this document, please be aware that the future results of the Company may differ from the current forecasts made by the Company.

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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